

# **City of San José 457 Plan**

## **Investment Performance Evaluation Report**

*As of June 30, 2013*

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## **INTRODUCTION**

This report reviews the investment performance of the City of San José for the quarter ending June 30, 2013, as well as other periods ending on that date. While the most recent quarter is the focus point of this report, we recommend concentration on longer time periods for the consideration of any changes to the investment policy or manager structure.

Performance measurement in this report is designed to:

- Provide an understanding of the environment in which the funds were managed;
- Verify that the assets were managed in compliance with guidelines;
- Assess the managers' strengths, continuity of style, and the means of achieving the performance; and
- Serve as a communications tool for internal focus, as well as to fulfill fiduciary obligations.

This report is based upon data provided by The City of San José, ING, Morningstar, and fund management firms.

## **Fund Changes**

Vanguard announced that it will be changing the benchmarks for 22 of the Vanguard index funds that are currently benchmarked to MSCI indexes. The following funds in the Plan are affected by this change:

<b>Fund</b>	<b>Current Benchmark</b>	<b>Future Benchmark</b>
Vanguard Mid-Cap Index Instl	MSCI US Mid Cap 450 Index	CRSP US Mid Cap Index
Vanguard Small-Cap Index Instl	MSCI US Small Cap 1750 Index	CRSP US Small Cap Index
Vanguard Total Int'l Stock Index Signal	MSCI ACWI ex USA IMI Index	FTSE Global All Cap ex US Index
Vanguard Total Stock Market Index Instl	MSCI US Broad Market Index	CRSP US Total Market Index

Vanguard Mid-Cap Index and Vanguard Small Cap Index benchmarks changed effective January 30, 2013. Vanguard Total International Stock Index and Vanguard Total Stock Market Index benchmarks changed effective June 3, 2013.

## Plan Overview

### Net Assets

- Plan assets totaled \$702.3 million, as of June 30, 2013.

### Asset Allocation

- Plan assets were allocated 30% to Short-Term funds, 4% to Bond funds, 22% to Asset Allocation funds, 33% to U.S. Equity funds, 5% to International Equity funds and 6% to Other (Real Estate, SDBA, PTC Plan)

### Fund Update

**Vanguard Target Retirement funds:** On February 22, 2013, Duane Kelly, the 10-year manager of the Vanguard Target Retirement funds, was replaced by 3 co-managers:

- Michael Buek: Principal with Vanguard. 23 years of investment management experience, 25 years with Vanguard.
- William Coleman: Portfolio manager with Vanguard. 6 years of investment management experience, 9 years with Vanguard.
- Walter Nejman: Portfolio manager with Vanguard. 7 years of investment management experience, 9 years with Vanguard.

Duane Kelly remains with Vanguard. His responsibilities transitioned from trading and portfolio management to general management, talent development, and project management.

## Asset Allocation

As of June 30, 2013

# of Options	Options	Plan Assets	% of Plan	# of Participants
2	Vanguard Prime Money Market I	\$6,848,658	<1%	525
	<b>ING Stable Value</b>	<b>\$204,361,665</b>	<b>29.1%</b>	3,346
	<b>Total Assets in Short-Term Funds</b>	<b>\$211,210,323</b>	<b>30%</b>	
3	PIMCO Total Return	\$17,686,866	2.5%	1,056
	BlackRock Inflation Prot. Bond Instl	\$5,226,017	<1%	430
	Templeton Global Bond I-Tr.	\$7,619,417	1.1%	496
	<b>Total Assets in Bond Funds</b>	<b>\$30,532,299</b>	<b>4%</b>	
2 (14)	<b>Custom Lifestyle Portfolios</b>	<b>\$144,641,071</b>	<b>20.6%</b>	
	Vanguard Target Date Funds	\$7,781,172	1.1%	
	<b>Total Asset Allocation Funds</b>	<b>\$152,422,243</b>	<b>22%</b>	
13	Allianz NFJ Dividend Value I	\$14,776,242	2.1%	847
	Yacktman	\$29,038,866	4.1%	950
	Parnassus Equity Income Inv	\$3,042,619	<1%	138
	Vanguard Inst Index	\$24,390,348	3.5%	877
	Vanguard Total Stock Market Idx Inst	\$28,538,754	4.1%	735
	Fidelity Advisor New Insights I	\$17,728,550	2.5%	887
	<b>Amer Funds Growth Fund of Amer R5</b>	<b>\$64,049,953</b>	<b>9.1%</b>	1,990
	Fidelity VIP Mid Cap Portfolio Initial	\$16,011,101	2.3%	805
	Perkins Small Cap Value T	\$1,062,655	<1%	100
	JP Morgan Mid Cap Value Select	\$5,436,584	<1%	409
	Vanguard Mid Cap Index Instl	\$11,315,882	1.6%	623
	Vanguard Small Cap Index Instl	\$13,418,807	1.9%	832
	Wanger USA	\$1,997,784	<1%	150
	<b>Total U.S. Equity Funds</b>	<b>\$230,808,144</b>	<b>33%</b>	
4	Vanguard Total Int'l Stock Index Signal	\$1,661,176	<1%	270
	Amer Funds EuroPac Growth R5	\$20,650,672	2.9%	1,357
	DFA International Small Company I	\$3,355,454	<1%	517
	Oppenheimer Developing Markets Y	\$12,850,081	1.8%	1,146
	<b>Total International Equity Funds</b>	<b>\$38,517,384</b>	<b>5%</b>	
3	ING Clarion Real Estate Portfolio I	\$6,126,665	<1%	588
	TD Ameritrade Self Directed Brokerage	\$18,581,982	2.6%	167
	PTC Plan (Stable Value Only)	\$14,131,672	2.0%	3,922
	<b>Total Assets in Other</b>	<b>\$38,840,319</b>	<b>6%</b>	
<b>TOTAL</b>		<b>\$702,330,712</b>		

## Asset Allocation Funds

As of June 30, 2013

# of Options	Options	Plan Assets	% of Plan	# of Participants
3	Conservative Custom Lifestyle Portfolio	\$13,561,424	1.9%	316
	Moderate Custom Lifestyle Portfolio	\$81,518,600	11.6%	1,865
	Aggressive Custom Lifestyle Portfolio	\$49,561,047	7.1%	1,228
	<b>Total Custom Lifestyle Portfolios</b>	<b>\$144,641,071</b>	<b>21%</b>	
11	Vanguard Target Retirement Income Inv	\$495,357	<1%	29
	Vanguard Target Retirement 2010 Inv	\$119,650	<1%	3
	Vanguard Target Retirement 2015 Inv	\$1,882,673	<1%	47
	Vanguard Target Retirement 2020 Inv	\$1,274,906	<1%	7
	Vanguard Target Retirement 2025 Inv	\$882,638	<1%	40
	Vanguard Target Retirement 2030 Inv	\$317,212	<1%	11
	Vanguard Target Retirement 2035 Inv	\$953,781	<1%	54
	Vanguard Target Retirement 2040 Inv	\$183,641	<1%	16
	Vanguard Target Retirement 2045 Inv	\$1,263,059	<1%	66
	Vanguard Target Retirement 2050 Inv	\$94,188	<1%	40
	Vanguard Target Retirement 2055 Inv	\$314,067	<1%	43
	<b>Total Target Date Funds</b>	<b>\$7,781,172</b>	<b>1%</b>	
<b>Total Asset Allocation Funds</b>		<b>\$152,422,243</b>		

## Range of Investment Options

**Lower Expected Risk/  
Lower Expected Return**

**Higher Expected Risk/  
Higher Expected Return**

Money Market/ Stable Value	Fixed Income/ Bond	Balanced	Domestic Equity			Global/ Int'l Equity	Other
1. Vanguard Prime Money Market Instl 2. ING Stable Value	1. PIMCO Total Return Instl 2. BlackRock Inflation-Prot. Bond I 3. Templeton Global Bond I-Tr.	1. Target Risk (3 Custom Portfolios) 2. Vanguard Target Date (11 Funds)	<b>Large Value</b> 1. Allianz NFJ Dividend Value I 2. Yacktman	<b>Large Blend</b> 1. Vanguard Inst Index 2. Vanguard Total Stk Idx 3. Parnassus Equity Inc Inv	<b>Large Growth</b> 1. Fid Advisor New Insights I 2. AF Growth Fund Amer R5	1. Vanguard Total Int'l Index S 2. Amer Funds EuroPac Gr R5 3. DFA Int'l Small Company I 4. Oppenheimer Developing Mkts Y	1. ING Clarion Real Estate I 2. TD Ameritrade SDBA
			<b>Mid Value</b> 1. JP Morgan Mid Value Select	<b>Mid Blend</b> 1. Vanguard Mid Cap Index Instl	<b>Mid Growth</b> 1. Fidelity VIP Mid Cap Portfolio Initial		
			<b>Small Value</b> 1. Perkins Small Cap Value T	<b>Small Blend</b> 1. Vang Sm Index Instl	<b>Small Growth</b> 1. Wanger USA		

## Net-of-Fee Total Returns and Standard Deviations

As of June 30, 2013

Fund/Benchmark	YTD	(periods longer than 1 year are annualized)						Standard Deviation		Expense
	8/30/13	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	3 Years	5 Years	Ratio
<b>Vanguard Prime Money Market Instl</b>	<b>0.04</b>	<b>0.01</b>	<b>0.03</b>	<b>0.08</b>	<b>0.13</b>	<b>0.48</b>	<b>1.93</b>	<b>0.02</b>	<b>0.22</b>	<b>0.09</b>
<b>ING Stable Value (Book Value)</b>	-	<b>0.59</b>	<b>1.14</b>	<b>2.09</b>	<b>2.28</b>	<b>2.76</b>	-	-	-	<b>0.47</b>
Citi Treasury 3 Mon	-	0.02	0.03	0.08	0.09	0.23	1.63	0.01	0.12	-
<b>PIMCO Total Return Instl</b>	<b>-3.60</b>	<b>-3.65</b>	<b>-3.10</b>	<b>1.03</b>	<b>4.49</b>	<b>7.09</b>	<b>5.80</b>	<b>3.94</b>	<b>4.41</b>	<b>0.63</b>
BarCap US Agg Bond	-2.81	-2.32	-2.44	-0.69	3.51	5.19	4.52	2.85	3.73	-
Avg Intermediate Bond	-2.66	-2.61	-2.31	0.91	4.28	5.60	4.37	3.20	4.91	0.89
<b>BlackRock Inflation Prot. Bond I</b>	<b>-7.46</b>	<b>-6.51</b>	<b>-6.98</b>	<b>-4.27</b>	<b>4.25</b>	<b>4.53</b>	-	<b>5.19</b>	<b>7.18</b>	<b>0.45</b>
BarCap US Treasury US TIPS	-8.07	-7.05	-7.39	-4.78	4.63	4.41	5.19	5.59	7.60	-
Avg Inflation-Protected Bond	-7.51	-6.61	-6.90	-4.46	3.69	3.52	4.56	5.20	7.70	0.82
<b>Templeton Global Bond I-Tr.</b>	<b>-2.93</b>	<b>-3.02</b>	<b>-1.52</b>	<b>7.52</b>	<b>7.40</b>	<b>10.12</b>	<b>9.49</b>	<b>9.43</b>	<b>9.63</b>	<b>0.55</b>
Citi World Government Bond Idx	-5.15	-2.97	-5.66	-4.50	2.72	3.04	4.70	5.96	7.48	-
Avg World Bond	-4.96	-3.63	-4.59	0.15	4.05	4.45	4.91	6.50	8.07	1.10
<b>Conservative Lifestyle Port.</b>	-	<b>0.35</b>	<b>3.55</b>	<b>7.41</b>	<b>7.26</b>	<b>4.72</b>	-	-	-	<b>0.49</b>
Avg Conservative Allocation	1.90	-1.72	1.50	6.36	7.66	4.90	5.20	6.53	9.68	1.33
<b>Moderate Lifestyle Port.</b>	-	<b>0.79</b>	<b>6.37</b>	<b>12.95</b>	<b>10.70</b>	<b>5.37</b>	-	-	-	<b>0.54</b>
Avg Moderate Allocation	7.39	0.05	5.92	12.21	11.11	5.06	6.13	9.77	13.58	1.35
<b>Aggressive Lifestyle Port.</b>	-	<b>0.98</b>	<b>8.79</b>	<b>17.81</b>	<b>13.64</b>	<b>5.74</b>	-	-	-	<b>0.54</b>
Avg Aggressive Allocation	9.26	0.33	7.20	14.96	12.10	4.25	6.38	12.80	17.37	1.50

Green indicates fund outperformed both benchmarks / Blue indicates fund performed between benchmarks / Red indicates fund underperformed both benchmarks

## Net-of-Fee Total Returns and Standard Deviations

As of June 30, 2013

Fund/Benchmark	YTD	(periods longer than 1 year are annualized)						Standard Deviation		Expense Ratio
	8/30/13	3 Months	YTD	1 Yr	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	
<b>Vanguard Target Retirement Inc</b>	<b>1.35</b>	<b>-1.80</b>	<b>0.69</b>	<b>4.52</b>	<b>7.43</b>	<b>5.36</b>	-	<b>4.65</b>	<b>7.27</b>	<b>0.33</b>
Avg Retirement Income	2.24	-1.48	1.43	6.00	7.31	4.40	4.39	6.43	9.91	0.98
<b>Vanguard Target Retirement 2010</b>	<b>3.19</b>	<b>-1.28</b>	<b>2.15</b>	<b>6.96</b>	<b>9.21</b>	<b>5.14</b>	-	<b>6.88</b>	<b>10.66</b>	<b>0.33</b>
Avg Target Date 2000-2010	2.52	-1.47	1.59	6.78	8.08	4.11	5.01	7.25	11.48	0.96
<b>Vanguard Target Retirement 2015</b>	<b>5.23</b>	<b>-0.76</b>	<b>3.80</b>	<b>9.45</b>	<b>10.36</b>	<b>5.27</b>	-	<b>8.45</b>	<b>12.29</b>	<b>0.33</b>
Avg Target Date 2011-2015	3.03	-1.41	2.13	8.00	8.96	3.99	4.22	8.42	12.94	1.00
<b>Vanguard Target Retirement 2020</b>	<b>6.63</b>	<b>-0.36</b>	<b>4.95</b>	<b>11.29</b>	<b>11.29</b>	<b>5.24</b>	-	<b>9.69</b>	<b>13.73</b>	<b>0.33</b>
Avg Target Date 2016-2020	4.00	-1.34	2.76	8.99	9.76	4.18	5.53	9.28	14.10	1.05
<b>Vanguard Target Retirement 2025</b>	<b>7.80</b>	<b>-0.11</b>	<b>5.87</b>	<b>12.77</b>	<b>12.15</b>	<b>5.15</b>	-	<b>10.89</b>	<b>15.20</b>	<b>0.34</b>
Avg Target Date 2021-2025	5.93	-0.75	4.34	11.44	11.35	4.23	-	11.21	16.02	1.02
<b>Vanguard Target Retirement 2030</b>	<b>8.98</b>	<b>0.16</b>	<b>6.80</b>	<b>14.36</b>	<b>13.04</b>	<b>5.06</b>	-	<b>12.06</b>	<b>16.63</b>	<b>0.34</b>
Avg Target Date 2026-2030	6.53	-0.78	4.70	12.24	11.53	4.05	6.00	11.77	17.06	1.09
<b>Vanguard Target Retirement 2035</b>	<b>10.08</b>	<b>0.35</b>	<b>7.65</b>	<b>15.81</b>	<b>13.85</b>	<b>5.12</b>	-	<b>13.24</b>	<b>17.85</b>	<b>0.35</b>
Avg Target Date 2031-2035	8.25	-0.16	6.20	14.37	12.86	4.20	-	13.34	18.19	1.05
<b>Vanguard Target Retirement 2040</b>	<b>10.79</b>	<b>0.52</b>	<b>8.19</b>	<b>16.67</b>	<b>14.10</b>	<b>5.30</b>	-	<b>13.52</b>	<b>17.95</b>	<b>0.35</b>
Avg Target Date 2036-2040	8.17	-0.43	5.97	14.27	12.54	4.06	6.22	13.30	18.57	1.11
<b>Vanguard Target Retirement 2045</b>	<b>10.79</b>	<b>0.53</b>	<b>8.23</b>	<b>16.64</b>	<b>14.13</b>	<b>5.28</b>	-	<b>13.53</b>	<b>17.97</b>	<b>0.35</b>
Avg Target Date 2041-2045	9.24	0.07	6.94	15.60	13.43	4.15	-	14.16	18.98	1.07
<b>Vanguard Target Retirement 2050</b>	<b>10.78</b>	<b>0.52</b>	<b>8.18</b>	<b>16.65</b>	<b>14.11</b>	<b>5.28</b>	-	<b>13.53</b>	<b>17.95</b>	<b>0.35</b>
Avg Target Date 2046-2050	8.68	-0.37	6.34	14.91	12.71	4.23	6.57	13.72	18.90	1.12
<b>Vanguard Target Retirement 2055</b>	<b>10.81</b>	<b>0.52</b>	<b>8.18</b>	<b>16.65</b>	-	-	-	-	-	<b>0.35</b>
Avg Target Date 2051+	9.99	0.32	7.54	16.48	13.44	3.20	-	14.71	20.03	1.05



## Net-of-Fee Total Returns and Standard Deviations

As of June 30, 2013

Fund/Benchmark	YTD	(periods longer than 1 year are annualized)						Standard Deviation		Expense Ratio
	8/30/13	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	3 Years	5 Years	
<b>Allianz NFJ Dividend Value Instl</b>	<b>15.71</b>	<b>3.26</b>	<b>13.39</b>	<b>22.25</b>	<b>18.08</b>	<b>4.17</b>	<b>8.05</b>	<b>14.09</b>	<b>19.60</b>	<b>0.71</b>
<b>Yacktman</b>	<b>17.94</b>	<b>4.16</b>	<b>16.63</b>	<b>21.57</b>	<b>17.99</b>	<b>16.34</b>	<b>10.97</b>	<b>10.43</b>	<b>19.02</b>	<b>0.76</b>
S&P 500 Value	17.28	3.36	15.73	25.04	18.10	6.47	7.36	14.51	20.14	-
Avg Large Value	16.77	3.30	14.94	23.02	16.90	6.03	7.10	14.20	19.18	1.22
<b>Vanguard Institutional Index</b>	<b>16.13</b>	<b>2.86</b>	<b>13.72</b>	<b>20.37</b>	<b>18.23</b>	<b>6.86</b>	<b>7.12</b>	<b>13.57</b>	<b>18.41</b>	<b>0.21</b>
<b>Parnassus Equity Income Inv</b>	<b>17.17</b>	<b>1.40</b>	<b>14.27</b>	<b>23.76</b>	<b>17.03</b>	<b>8.88</b>	<b>8.74</b>	<b>12.10</b>	<b>16.23</b>	<b>0.94</b>
S&P 500	16.15	2.91	13.82	20.60	18.45	7.01	7.30	13.57	18.42	-
Avg Large Blend	15.76	2.56	13.26	20.83	16.68	5.83	6.85	14.51	19.29	1.13
<b>Vanguard Total Stock Mkt Idx Instl</b>	<b>16.96</b>	<b>2.72</b>	<b>14.00</b>	<b>21.26</b>	<b>18.53</b>	<b>7.30</b>	<b>7.90</b>	<b>14.24</b>	<b>19.15</b>	<b>0.21</b>
Custom Idx for Vanguard Tot Stk Mkt Idx	16.98	2.78	14.11	21.47	18.75	7.46	8.09	14.24	19.16	-
Avg Large Blend	15.76	2.56	13.26	20.83	16.68	5.83	6.85	14.51	19.29	1.13
<b>Fidelity Advisor New Insights I</b>	<b>15.86</b>	<b>2.23</b>	<b>11.56</b>	<b>17.04</b>	<b>16.34</b>	<b>5.55</b>	-	<b>12.93</b>	<b>16.72</b>	<b>0.74</b>
<b>Amer Funds Growth of Amer R5</b>	<b>16.50</b>	<b>3.19</b>	<b>12.07</b>	<b>23.17</b>	<b>16.38</b>	<b>5.06</b>	<b>8.22</b>	<b>14.39</b>	<b>18.72</b>	<b>0.49</b>
S&P 500 Growth	15.10	2.48	12.04	16.78	18.89	7.57	7.17	13.09	17.39	-
Avg Large Growth	15.56	2.03	11.05	17.23	16.51	5.57	7.02	15.52	19.80	1.25
<b>JPMorgan Mid Cap Value Sel</b>	<b>17.36</b>	<b>2.31</b>	<b>15.09</b>	<b>25.35</b>	<b>20.38</b>	<b>10.13</b>	<b>10.45</b>	<b>13.27</b>	<b>19.22</b>	<b>1.00</b>
Russell Mid-Cap Value	18.01	1.65	16.10	27.65	19.53	8.87	10.92	15.27	22.70	-
Avg Mid-Cap Value	18.95	2.65	15.98	26.71	17.61	8.29	9.41	16.24	22.18	1.30
<b>Vanguard Mid Cap Index Inst</b>	<b>19.07</b>	<b>2.32</b>	<b>15.47</b>	<b>24.82</b>	<b>18.83</b>	<b>7.78</b>	<b>10.30</b>	<b>16.05</b>	<b>22.24</b>	<b>0.25</b>
Custom Idx for Vanguard MC Idx	19.06	2.40	15.56	25.06	19.07	7.96	10.48	16.04	22.22	-
Avg Mid-Cap Blend	17.84	2.20	14.78	25.06	17.40	6.67	8.94	17.18	22.83	-
<b>Fidelity VIP Mid Cap Port. Initial</b>	<b>16.97</b>	<b>1.01</b>	<b>12.04</b>	<b>20.36</b>	<b>13.46</b>	<b>6.15</b>	<b>11.91</b>	<b>15.14</b>	<b>20.18</b>	<b>0.65</b>
Russell Mid-Cap Growth	19.52	2.87	14.70	22.88	19.53	7.61	9.94	16.55	22.38	-
Avg Mid-Cap Growth	18.39	2.11	13.11	19.79	17.01	6.07	8.81	16.89	21.77	1.36

## Net-of-Fee Total Returns and Standard Deviations

As of June 30, 2013

Fund/Benchmark	YTD	(periods longer than 1 year are annualized)						Standard Deviation		Expense Ratio
	8/30/13	3 Months	YTD	1 Year	3 Years	5 Years	10 Years	3 Years	5 Years	
<b>Perkins Small Value T</b>	<b>14.03</b>	<b>1.15</b>	<b>12.51</b>	<b>18.44</b>	<b>11.80</b>	<b>10.38</b>	<b>10.12</b>	<b>14.29</b>	<b>19.12</b>	<b>1.05</b>
Russell 2000 Value	16.36	2.47	14.39	24.76	17.33	8.59	9.30	17.74	24.31	-
Avg Small Value	18.37	2.71	15.30	25.62	16.70	9.31	9.95	17.91	24.42	1.42
<b>Vanguard Small Cap Index Instl</b>	<b>19.78</b>	<b>2.72</b>	<b>15.87</b>	<b>25.53</b>	<b>19.86</b>	<b>10.00</b>	<b>10.75</b>	<b>18.11</b>	<b>24.39</b>	<b>0.25</b>
Custom Idx for Vanguard SC Idx	19.75	2.78	15.93	25.65	19.97	10.03	10.82	18.10	24.39	-
Avg Small Blend	18.76	2.57	15.32	24.56	17.99	8.01	9.29	18.70	24.17	1.33
Russell 2000	20.03	3.08	15.86	24.21	18.67	8.77	9.53	18.60	24.07	-
<b>Wanger USA</b>	<b>17.17</b>	<b>0.92</b>	<b>12.22</b>	<b>22.03</b>	<b>19.56</b>	<b>8.41</b>	<b>9.71</b>	<b>19.42</b>	<b>23.86</b>	<b>0.94</b>
Russell 2000 Growth	23.85	3.74	17.44	23.67	19.97	8.89	9.62	19.64	24.28	-
Avg Small Growth	22.59	3.52	16.03	22.25	18.57	8.33	9.26	18.74	23.30	1.45
<b>Vanguard Total Intl Stock Index S</b>	<b>2.40</b>	<b>-3.38</b>	<b>-0.52</b>	<b>13.99</b>	<b>8.29</b>	<b>-0.84</b>	<b>8.32</b>	<b>18.76</b>	<b>24.27</b>	<b>0.33</b>
Custom Idx for Vanguard Tot Intl Stk Idx	4.54	-3.23	0.23	13.96	7.95	-0.85	-	18.37	23.56	-
Avg Foreign Large Blend	5.37	-1.20	2.38	16.25	9.27	-0.93	7.34	18.33	23.38	1.29
<b>Amer Funds EuroPac Gr R5</b>	<b>4.67</b>	<b>-0.76</b>	<b>2.11</b>	<b>15.71</b>	<b>9.28</b>	<b>1.33</b>	<b>9.75</b>	<b>17.42</b>	<b>21.84</b>	<b>0.65</b>
MSCI EAFE Net	9.67	-0.98	4.10	18.62	10.04	-0.63	7.67	18.34	22.98	-
Avg Foreign Large Blend	5.37	-1.20	2.38	16.25	9.27	-0.93	7.34	18.33	23.38	1.29
<b>DFA Int'l Small Company I</b>	<b>10.33</b>	<b>-2.29</b>	<b>3.75</b>	<b>18.66</b>	<b>11.04</b>	<b>1.89</b>	<b>10.52</b>	<b>18.41</b>	<b>24.04</b>	<b>0.73</b>
MSCI EAFE Small Cap	11.63	-3.41	4.15	17.93	9.14	0.01	8.00	18.72	24.52	-
Avg Foreign Small/Mid Value	9.13	-1.51	4.93	20.48	10.79	2.15	9.92	19.24	26.18	1.47
<b>Oppenheimer Developing Mkts Y</b>	<b>-3.61</b>	<b>-3.95</b>	<b>-3.78</b>	<b>7.87</b>	<b>8.13</b>	<b>5.48</b>	<b>18.09</b>	<b>19.48</b>	<b>26.04</b>	<b>1.03</b>
MSCI EM Net	-9.33	-8.08	-9.57	2.87	3.38	-0.43	13.66	20.86	27.77	-
Avg Diversified Emerging Markets	-8.89	-7.51	-7.78	4.45	3.44	-1.35	12.89	20.53	28.22	1.62
<b>ING Clarion Real Estate I</b>	<b>-1.09</b>	<b>-1.45</b>	<b>5.14</b>	<b>6.92</b>	<b>17.64</b>	<b>8.44</b>	<b>12.35</b>	<b>16.93</b>	<b>32.46</b>	<b>0.61</b>
FTSE NAREIT Equity REITs	-0.39	-2.13	5.79	10.21	18.46	7.72	10.96	16.52	32.13	-
Avg Real Estate	-1.32	-2.02	4.67	7.75	16.90	6.69	9.86	16.17	31.48	1.36

## Modern Portfolio Theory (MPT) Analytics

*As of June 30, 2013*

Fund/Benchmark	5 - Year					10 Year	
	Alpha	Beta	Tracking Error	Information Ratio	Upside Capture	Downside Capture	Batting Average
<b>Allianz NFJ Dividend Value Instl</b>	<b>-2.74</b>	<b>1.04</b>	<b>4.50</b>	<b>-0.63</b>	<b>96</b>	<b>107</b>	<b>57</b>
<b>Yacktman</b>	<b>9.07</b>	<b>0.93</b>	<b>8.42</b>	<b>1.11</b>	<b>108</b>	<b>72</b>	<b>54</b>
Avg Large Value	-0.87	1.01	4.63	-0.25	99	103	50
<b>Vanguard Institutional Index</b>	<b>0.03</b>	<b>1.00</b>	<b>0.04</b>	<b>0.85</b>	<b>100</b>	<b>100</b>	<b>43</b>
<b>Vanguard Total Stock Idx Instl</b>	<b>0.27</b>	<b>1.04</b>	<b>1.35</b>	<b>0.35</b>	<b>105</b>	<b>104</b>	<b>58</b>
<b>Parnassus Equity Income Inv</b>	<b>2.60</b>	<b>0.85</b>	<b>5.05</b>	<b>0.37</b>	<b>90</b>	<b>79</b>	<b>51</b>
Avg Large Blend	-1.16	1.03	3.76	-0.81	100	106	44
<b>Fidelity Advisor New Insights I</b>	<b>-0.66</b>	<b>0.88</b>	<b>4.96</b>	<b>-0.29</b>	<b>88</b>	<b>91</b>	<b>-</b>
<b>Amer Funds Growth of Amer 5</b>	<b>-1.62</b>	<b>0.99</b>	<b>4.09</b>	<b>-0.45</b>	<b>97</b>	<b>104</b>	<b>53</b>
Avg Large Growth	-1.32	1.03	5.90	-0.26	101	108	49
<b>JPMorgan Mid Cap Value Sel</b>	<b>3.01</b>	<b>1.01</b>	<b>5.01</b>	<b>0.62</b>	<b>107</b>	<b>96</b>	<b>56</b>
Avg Mid-Cap Value	0.71	1.15	7.09	0.16	117	116	55
<b>Vanguard Mid Cap Index Inst</b>	<b>0.28</b>	<b>1.17</b>	<b>6.31</b>	<b>0.15</b>	<b>120</b>	<b>121</b>	<b>58</b>
Avg Mid-Cap Blend	-0.79	1.18	8.28	-0.02	117	123	53
<b>Fidelity VIP Mid Cap Port. Initial</b>	<b>-0.69</b>	<b>1.03</b>	<b>6.91</b>	<b>-0.13</b>	<b>100</b>	<b>104</b>	<b>55</b>
Avg Mid-Cap Growth	-1.09	1.11	8.03	-0.10	110	117	54

Reported modern portfolio theory (MPT) statistics are calculated with respect to the S&P 500 Index for domestic equity funds. Statistics are calculated relative to the MSCI EAFE Index for international equity funds.

## Modern Portfolio Theory (MPT) Analytics

*As of June 30, 2013*

	5 - Year					10 Year	
	Alpha	Beta	Tracking Error	Information Ratio	Upside Capture	Downside Capture	Batting Average
<b>Perkins Small Value T</b>	<b>3.56</b>	<b>0.96</b>	<b>7.26</b>	<b>0.47</b>	<b>102</b>	<b>89</b>	<b>53</b>
Avg Small Value	1.57	1.23	10.19	0.23	128	125	53
<b>Vanguard Small Cap Index Instl</b>	<b>2.02</b>	<b>1.27</b>	<b>8.64</b>	<b>0.37</b>	<b>134</b>	<b>129</b>	<b>56</b>
Avg Small Blend	0.32	1.23	9.61	0.12	126	128	53
<b>Wanger USA</b>	<b>0.56</b>	<b>1.23</b>	<b>8.71</b>	<b>0.16</b>	<b>129</b>	<b>130</b>	<b>53</b>
Avg Small Growth	0.81	1.17	9.30	0.14	123	124	54
<b>Vanguard Total Intl Stock Index S</b>	<b>0.02</b>	<b>1.04</b>	<b>4.12</b>	<b>-0.05</b>	<b>104</b>	<b>104</b>	<b>56</b>
<b>Amer Funds EuroPac Gr R5</b>	<b>1.91</b>	<b>0.93</b>	<b>4.73</b>	<b>0.44</b>	<b>96</b>	<b>90</b>	<b>57</b>
Avg Foreign Large Blend	-0.20	0.99	5.07	-0.07	99	100	48
<b>DFA Int'l Small Company I</b>	<b>3.15</b>	<b>1.02</b>	<b>5.33</b>	<b>0.55</b>	<b>102</b>	<b>93</b>	<b>59</b>
Avg Foreign Small/Mid Value	3.41	1.10	7.51	0.37	108	99	56
<b>Oppenheimer Developing Mkts Y</b>	<b>6.62</b>	<b>1.04</b>	<b>10.24</b>	<b>0.60</b>	<b>105</b>	<b>87</b>	<b>63</b>
Avg Diversified Emerging Markets	0.47	1.12	12.06	-0.03	104	106	58

Reported modern portfolio theory (MPT) statistics are calculated with respect to the S&P 500 Index for domestic equity funds. Statistics are calculated relative to the MSCI EAFE Index for international equity funds.

## Bond Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<b>PIMCO Total Return Instl</b>	10.17	3.99	8.83	13.83	4.82	9.07	3.99	2.89	5.14	5.56	10.20
BarCap US Agg Bond	4.21	7.84	6.54	5.93	5.24	6.97	4.33	2.43	4.34	4.10	10.26
Avg Intermediate Bond	7.01	5.86	7.72	13.97	-4.70	4.70	4.15	1.80	3.91	5.10	8.04
<b>BlackRock Inflation Prot. Bond I</b>	6.94	11.88	6.23	10.42	0.42	12.19	1.11	3.79	-	-	-
BarCap US Treasury US TIPS	6.98	13.56	6.31	11.41	-2.35	11.64	0.41	2.84	8.46	8.40	16.57
Avg Inflation-Protected Bond	6.45	10.93	5.94	10.88	-4.08	9.86	0.09	2.09	7.48	7.15	14.81
<b>Templeton Global Bond</b>	15.31	-0.60	12.68	18.86	6.28	10.86	13.51	-3.07	14.62	21.29	20.03
Citi World Government Bond Idx	1.65	6.35	5.17	2.55	10.89	10.95	6.12	-6.88	10.35	14.91	19.49
Avg World Bond	8.09	3.39	6.35	13.12	-1.57	7.28	5.42	-3.33	8.98	13.79	14.10
<b>Conservative Lifestyle Port.</b>	8.09	2.11	7.32	13.64	-11.36	6.72					
Avg Conservative Allocation	9.40	1.70	10.03	20.77	-18.61	4.53	8.16	2.97	5.46	12.34	-3.11
<b>Moderate Lifestyle Port.</b>	12.34	-1.10	11.70	23.14	-23.98	8.89					
Avg Moderate Allocation	11.72	-0.11	11.83	24.13	-28.00	5.99	11.29	5.13	8.86	20.35	-12.02
<b>Aggressive Lifestyle Port.</b>	16.37	-4.08	15.97	32.07	-34.17	10.25					
Avg Aggressive Allocation	13.42	-3.80	13.49	29.37	-34.34	7.43	13.07	7.35	10.93	25.10	-14.51

Green indicates fund outperformed both benchmarks / Blue indicates fund performed between benchmarks / Red indicates fund underperformed both benchmarks

### Target Date Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Vanguard Target Retirement Inc</b>	<b>8.04</b>	<b>5.07</b>	<b>9.39</b>	<b>14.28</b>	<b>-10.93</b>	<b>8.17</b>	<b>6.38</b>	<b>3.33</b>	<b>6.82</b>	-
Avg Retirement Income	9.01	1.60	8.94	18.36	-18.06	4.46	7.34	3.30	6.46	13.04
<b>Vanguard Target Retirement 2010</b>	<b>9.94</b>	<b>3.20</b>	<b>11.43</b>	<b>19.32</b>	<b>-20.67</b>	<b>7.70</b>	-	-	-	-
Avg Target Date 2000-2010	9.61	0.91	10.68	22.42	-22.46	5.22	8.58	3.68	6.82	13.67
<b>Vanguard Target Retirement 2015</b>	<b>11.18</b>	<b>1.54</b>	<b>12.47</b>	<b>21.30</b>	<b>-24.06</b>	<b>7.55</b>	<b>11.42</b>	<b>4.94</b>	<b>9.04</b>	-
Avg Target Date 2011-2015	10.65	-0.27	11.50	23.55	-27.76	5.84	11.13	4.64	7.39	14.60
<b>Vanguard Target Retirement 2020</b>	<b>12.16</b>	<b>0.43</b>	<b>13.12</b>	<b>23.10</b>	<b>-27.04</b>	<b>7.52</b>	-	-	-	-
Avg Target Date 2016-2020	11.68	-0.22	12.27	24.25	-29.46	6.02	11.95	5.80	9.61	21.84
<b>Vanguard Target Retirement 2025</b>	<b>13.10</b>	<b>-0.54</b>	<b>13.84</b>	<b>24.81</b>	<b>-30.05</b>	<b>7.59</b>	<b>13.24</b>	<b>5.45</b>	<b>10.11</b>	-
Avg Target Date 2021-2025	13.03	-2.06	13.29	28.32	-34.15	6.52	14.16	6.59	8.96	-
<b>Vanguard Target Retirement 2030</b>	<b>14.05</b>	<b>-1.44</b>	<b>14.43</b>	<b>26.72</b>	<b>-32.91</b>	<b>7.49</b>	-	-	-	-
Avg Target Date 2026-2030	13.59	-2.26	13.47	28.87	-36.04	6.50	13.60	6.81	10.95	23.89
<b>Vanguard Target Retirement 2035</b>	<b>14.97</b>	<b>-2.41</b>	<b>15.14</b>	<b>28.17</b>	<b>-34.66</b>	<b>7.49</b>	<b>15.24</b>	<b>6.30</b>	<b>11.95</b>	-
Avg Target Date 2031-2035	14.64	-3.51	14.28	30.06	-37.04	7.02	14.55	7.35	9.94	-
<b>Vanguard Target Retirement 2040</b>	<b>15.36</b>	<b>-2.71</b>	<b>15.17</b>	<b>28.32</b>	<b>-34.53</b>	<b>7.48</b>	-	-	-	-
Avg Target Date 2036-2040	14.64	-3.49	14.37	30.90	-37.94	6.21	14.67	7.41	11.71	26.65
<b>Vanguard Target Retirement 2045</b>	<b>15.38</b>	<b>-2.68</b>	<b>15.19</b>	<b>28.15</b>	<b>-34.56</b>	<b>7.47</b>	<b>15.98</b>	<b>6.95</b>	<b>12.89</b>	-
Avg Target Date 2041-2045	15.31	-4.10	14.60	30.88	-38.11	6.89	15.95	7.65	12.89	-
<b>Vanguard Target Retirement 2050</b>	<b>15.39</b>	<b>-2.71</b>	<b>15.20</b>	<b>28.31</b>	<b>-34.62</b>	<b>7.49</b>	-	-	-	-
Avg Target Date 2046-2050	15.07	-3.82	14.53	32.02	-38.67	5.91	15.51	8.76	12.60	25.73
<b>Vanguard Target Retirement 2055</b>	<b>15.39</b>	<b>-2.53</b>	-	-	-	-	-	-	-	-
Avg Target Date 2050+	15.52	-4.13	14.45	32.20	-38.86	5.94	15.51	8.76	12.60	25.73

## Large and Mid Cap Stock Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Allianz NFJ Dividend Value Instl</b>	14.31	3.44	13.57	13.32	-36.06	4.64	24.64	11.86	14.45	28.30
<b>Yacktman</b>	11.47	7.30	12.64	59.31	-26.05	3.39	15.95	-1.30	9.93	33.03
S&P 500 Value	17.68	-0.48	15.10	21.18	-39.22	1.99	20.80	5.82	15.71	31.79
Avg Large Value	14.57	-0.75	13.66	24.13	-37.09	1.42	18.15	5.95	12.97	28.44
<b>Vanguard Institutional Index</b>	15.78	1.92	15.05	26.63	-36.95	5.47	15.78	4.91	10.86	28.66
<b>Parnassus Equity Income Inv</b>	15.43	3.13	8.87	28.75	-22.96	14.13	14.70	2.62	9.30	15.69
S&P 500	16.00	2.11	15.06	26.46	-37.00	5.49	15.79	4.91	10.88	28.68
Avg Large Blend	14.96	-1.27	14.01	28.17	-37.79	6.16	14.17	5.88	10.02	27.05
<b>Vanguard Total Stock Mkt Idx Instl</b>	16.22	0.92	17.23	28.83	-36.94	5.56	15.69	6.12	12.60	31.55
Custom Idx for Vanguard Tot Stk Mkt Idx	16.44	1.08	17.28	28.76	-37.04	5.59	15.72	6.37	12.48	31.64
Avg Large Blend	14.96	-1.27	14.01	28.17	-37.79	6.16	14.17	5.88	10.02	27.05
<b>Fidelity Advisor New Insights I</b>	16.11	-0.73	16.34	29.37	-37.75	20.57	11.40	19.43	19.27	-
<b>Amer Funds Growth of Amer R5</b>	20.80	-4.69	12.63	34.91	-38.88	11.26	11.24	14.53	12.24	33.25
S&P 500 Growth	14.61	4.65	15.05	31.57	-34.92	9.13	11.01	4.00	6.13	25.66
Avg Large Growth	15.34	-2.46	15.53	35.68	-40.67	13.35	7.05	6.71	7.81	28.66
<b>JPMorgan Mid Cap Value Sel</b>	20.19	2.17	23.12	26.33	-33.06	2.60	17.06	9.15	20.67	30.34
Russell Mid-Cap Value	18.51	-1.38	24.75	34.21	-38.44	-1.42	20.22	12.65	23.71	38.07
Avg Mid-Cap Value	16.60	-3.96	21.92	35.41	-36.77	0.83	15.87	8.82	17.85	33.85
<b>Vanguard Mid Cap Index Inst</b>	15.81	-1.96	25.67	40.51	-41.76	6.22	13.78	14.09	20.45	34.33
Custom Idx for Vanguard MC Idx	16.04	-1.91	25.69	40.49	-41.80	6.19	13.75	13.94	20.52	35.58
Avg Mid-Cap Blend	16.15	-3.81	22.52	37.39	-39.18	4.85	14.03	9.25	16.30	36.28
<b>Fidelity VIP Mid Cap Port. Initial</b>	14.83	-10.61	28.83	40.09	-39.44	15.63	12.70	18.30	24.92	38.64
Russell Mid-Cap Growth	15.81	-1.65	26.38	46.29	-44.32	11.43	10.66	12.10	15.48	42.71
Avg Mid-Cap Growth	14.07	-3.96	24.61	39.11	-43.77	15.09	9.00	9.84	13.23	35.96

## Small Cap and International Stock Funds Annual Net-of-Fee Total Returns

Fund/Benchmark	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Perkins Small Value T</b>	<b>8.99</b>	<b>-3.43</b>	<b>17.87</b>	<b>36.59</b>	<b>-21.79</b>	<b>2.97</b>	<b>12.37</b>	<b>8.90</b>	<b>13.57</b>	<b>36.78</b>
Russell 2000 Value	18.05	-5.50	24.50	20.58	-28.92	-9.78	23.48	4.71	22.25	46.03
Avg Small Value	16.00	-4.45	26.17	31.32	-32.24	-6.08	16.27	6.40	21.14	42.38
<b>Vanguard Small Cap Index Instl</b>	<b>18.06</b>	<b>-2.65</b>	<b>27.95</b>	<b>36.40</b>	<b>-35.98</b>	<b>1.29</b>	<b>15.82</b>	<b>7.56</b>	<b>20.06</b>	<b>45.88</b>
Custom Idx for Vanguard SC Idx	18.20	-2.75	27.82	36.15	-36.20	1.20	15.77	7.48	20.01	46.97
Avg Small Blend	15.46	-4.07	25.61	31.80	-36.56	-1.10	15.03	6.75	18.94	43.41
Russell 2000	16.35	-4.18	26.85	27.17	-33.79	-1.57	18.37	4.55	18.33	47.25
<b>Wanger USA</b>	<b>20.02</b>	<b>-3.49</b>	<b>23.35</b>	<b>42.23</b>	<b>-39.68</b>	<b>5.39</b>	<b>7.87</b>	<b>11.25</b>	<b>18.33</b>	<b>43.22</b>
Russell 2000 Growth	14.59	-2.91	29.09	34.47	-38.54	7.05	13.35	4.15	14.31	48.54
Avg Small Growth	13.15	-3.55	26.98	35.46	-41.55	7.59	10.81	6.02	12.41	45.54
<b>Vanguard Total Intl Stock Index S</b>	<b>18.01</b>	<b>-14.52</b>	<b>11.06</b>	<b>36.73</b>	<b>-44.10</b>	<b>15.52</b>	<b>26.64</b>	<b>15.57</b>	<b>20.84</b>	<b>40.34</b>
Custom Idx for Vanguard Tot Intl Stk Idx	17.04	-14.31	10.70	40.44	-45.52	15.85	-	-	-	-
Avg Foreign Large Blend	18.29	-13.97	10.24	31.24	-43.99	12.71	24.77	14.72	17.39	33.58
<b>Amer Funds EuroPac Gr R5</b>	<b>19.45</b>	<b>-13.42</b>	<b>9.72</b>	<b>39.55</b>	<b>-40.38</b>	<b>19.22</b>	<b>22.17</b>	<b>21.39</b>	<b>19.98</b>	<b>33.24</b>
MSCI EAFE Net	17.32	-12.14	7.75	31.78	-43.38	11.17	26.34	13.54	20.25	38.59
Avg Foreign Large Blend	18.29	-13.97	10.24	31.24	-43.99	12.71	24.77	14.72	17.39	33.58
<b>DFA Int'l Small Company I</b>	<b>18.65</b>	<b>-15.49</b>	<b>23.91</b>	<b>41.96</b>	<b>-43.87</b>	<b>5.66</b>	<b>24.88</b>	<b>21.96</b>	<b>30.92</b>	<b>58.78</b>
MSCI EAFE Small Cap	16.87	-18.01	19.44	43.20	-48.36	-0.35	17.35	23.89	28.14	57.76
Avg Foreign Small/Mid Value	21.38	-15.99	21.00	44.06	-47.29	5.01	26.48	18.16	23.91	49.12
<b>Oppenheimer Developing Mkts Y</b>	<b>21.29</b>	<b>-17.85</b>	<b>27.39</b>	<b>82.10</b>	<b>-47.84</b>	<b>34.30</b>	<b>25.70</b>	<b>41.37</b>	<b>33.00</b>	<b>65.24</b>
MSCI EM Net	18.22	-18.42	18.88	78.51	-53.33	39.42	32.14	34.00	25.55	55.82
Avg Diversified Emerging Markets	18.15	-19.86	19.26	73.81	-54.44	36.68	32.06	31.54	23.54	55.19
<b>ING Clarion Real Estate I</b>	<b>15.85</b>	<b>9.76</b>	<b>28.29</b>	<b>36.29</b>	<b>-38.36</b>	<b>-17.52</b>	<b>37.95</b>	<b>17.11</b>	<b>38.13</b>	<b>37.90</b>
FTSE NAREIT Equity REITs	19.70	8.28	27.95	27.99	-37.73	-15.69	35.06	12.16	31.58	37.13
Avg Real Estate	17.60	7.51	27.08	31.26	-39.55	-14.66	33.58	11.51	32.02	36.80



## Peer Group Rankings

*As of June 30, 2013*

(yellow indicates fund performed above median in peer group)  
(1=Best Ranking; 100 = Worst Ranking)

Fund Name	Morningstar Category	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
PIMCO Total Return Instl	Intermediate-Term Bond	94	81	37	34	13	6
BlackRock Inflation Prot. Bond I	Inflation-Protected Bond	29	27	29	24	9	
Templeton Global Bond	World Bond	24	14	3	8	1	1
Vanguard Target Retirement Inc	Retirement Income	67	60	65	42	14	
Vanguard Target Retirement 2010	Target Date 2000-2010	37	39	48	25	14	
Vanguard Target Retirement 2015	Target Date 2011-2015	20	14	28	20	7	
Vanguard Target Retirement 2020	Target Date 2016-2020	9	11	23	16	10	
Vanguard Target Retirement 2025	Target Date 2021-2025	20	17	34	26	13	
Vanguard Target Retirement 2030	Target Date 2026-2030	17	17	33	19	13	
Vanguard Target Retirement 2035	Target Date 2031-2035	19	18	35	15	16	
Vanguard Target Retirement 2040	Target Date 2036-2040	19	18	30	14	14	
Vanguard Target Retirement 2045	Target Date 2041-2045	22	22	42	16	16	
Vanguard Target Retirement 2050	Target Date 2046-2050	30	23	43	14	18	
Vanguard Target Retirement 2055	Target Date 2051+	36	30	53			

## Peer Group Rankings

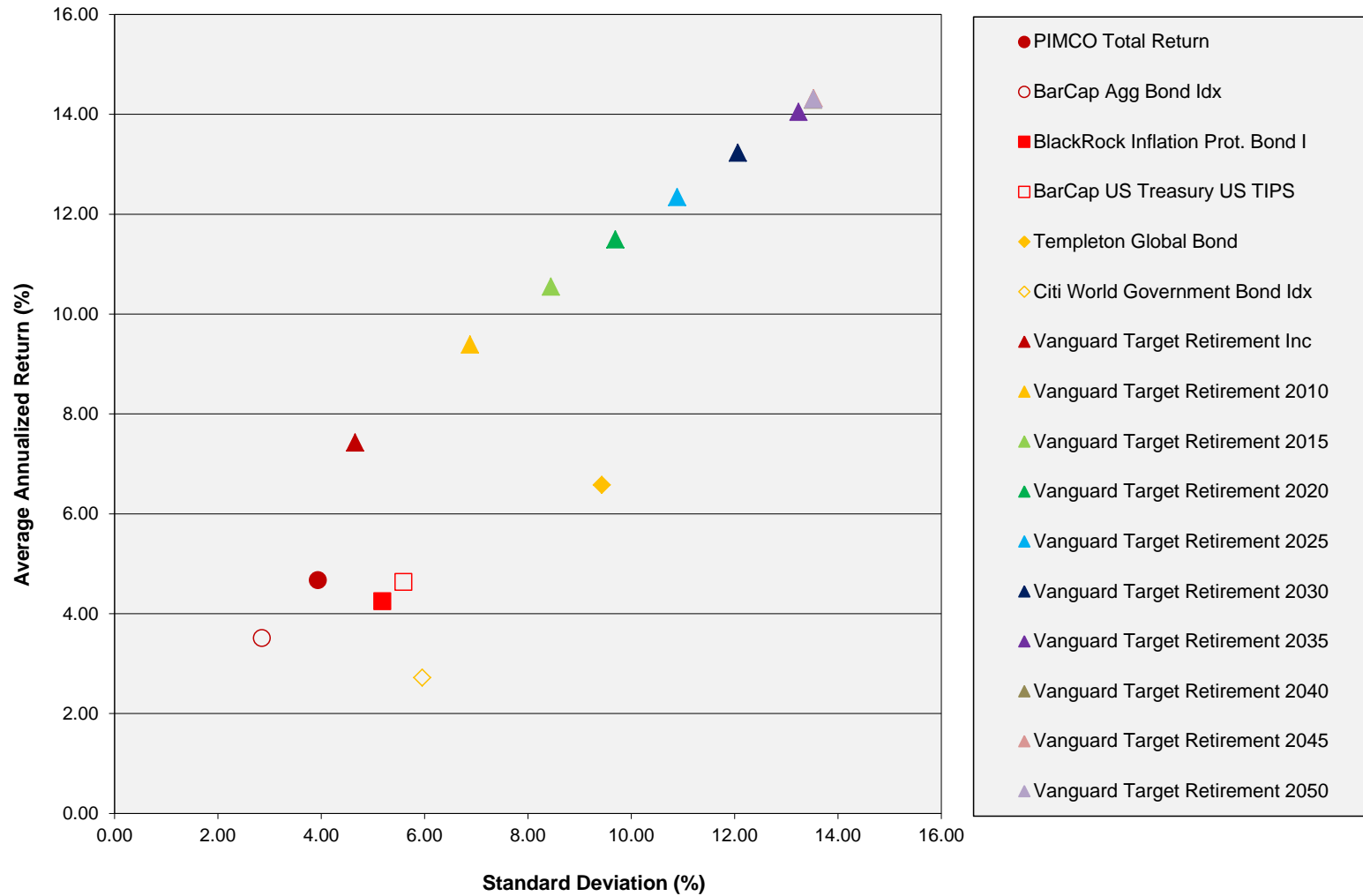
As of June 30, 2013

(yellow indicates fund performed above median in peer group)  
(1=Best Ranking; 100 = Worst Ranking)

Fund Name	Morningstar Category	3 Mo	YTD	1 Yr	3 Yr	5 Yr	10 Yr
Allianz NFJ Dividend Value Instl	Large Value	54	75	59	26	80	20
Yacktman	Large Blend	13	9	36	26	1	1
Vanguard Institutional Index	Large Blend	35	41	49	17	23	30
Vanguard Total Stock Idx Instl	Large Blend	44	35	38	13	15	15
Parnassus Equity Income Inv	Large Blend	81	31	20	47	5	9
Fidelity Advisor New Insights I	Large Growth	41	39	49	52	51	
Amer Funds Growth of Amer R5	Large Growth	16	30	8	50	57	18
JPMorgan Mid Cap Value Sel	Mid-Cap Value	55	64	68	8	24	25
Vanguard Mid Cap Index Inst	Mid-Cap Blend	38	37	49	30	32	15
Fidelity VIP Mid Cap Port. Initial	Insurance Mid Growth	77	64	45	90	49	2
Perkins Small Value T	Small Value	85	83	92	94	28	45
Vanguard Small Cap Index Instl	Small Blend	44	35	33	20	20	15
Wanger USA	Insurance Small Growth	89	84	54	40	50	40
Vanguard Total Intl Stock Index S	Foreign Large Blend	89	88	80	77	49	27
Amer Funds EuroPac Gr R5	Foreign Large Blend	39	61	55	53	12	8
DFA Int'l Small Company I	Foreign Sm/Mid Blend	77	73	63	57	59	32
Oppenheimer Developing Mkts Y	Diversified Emerging Mkts	11	19	22	5	2	1
ING Clarion Real Estate I	Real Estate	42	40	58	23	14	2

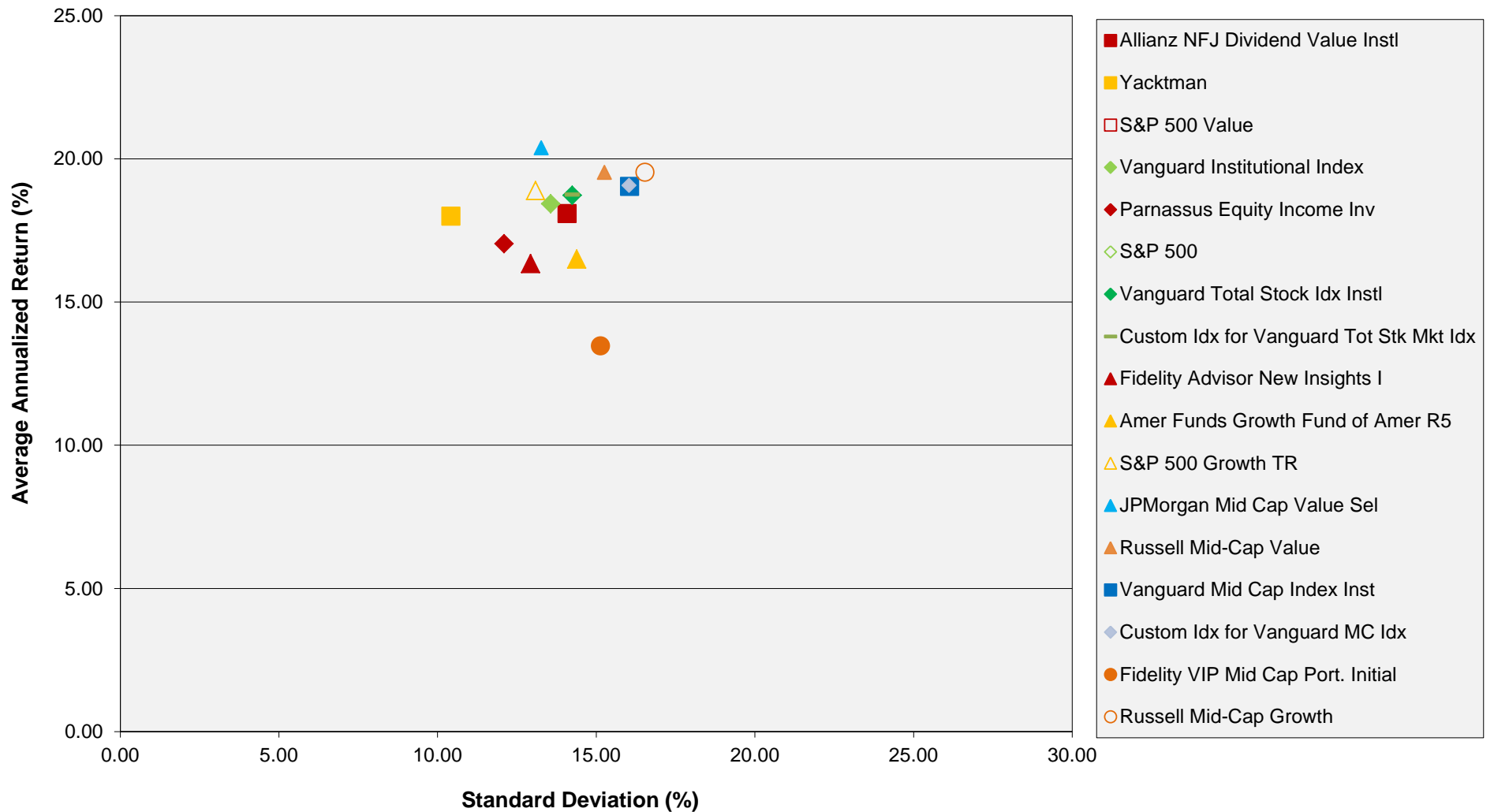
## Three Year Risk/Return Profile Bond and Balanced Funds

*As of June 30, 2013*

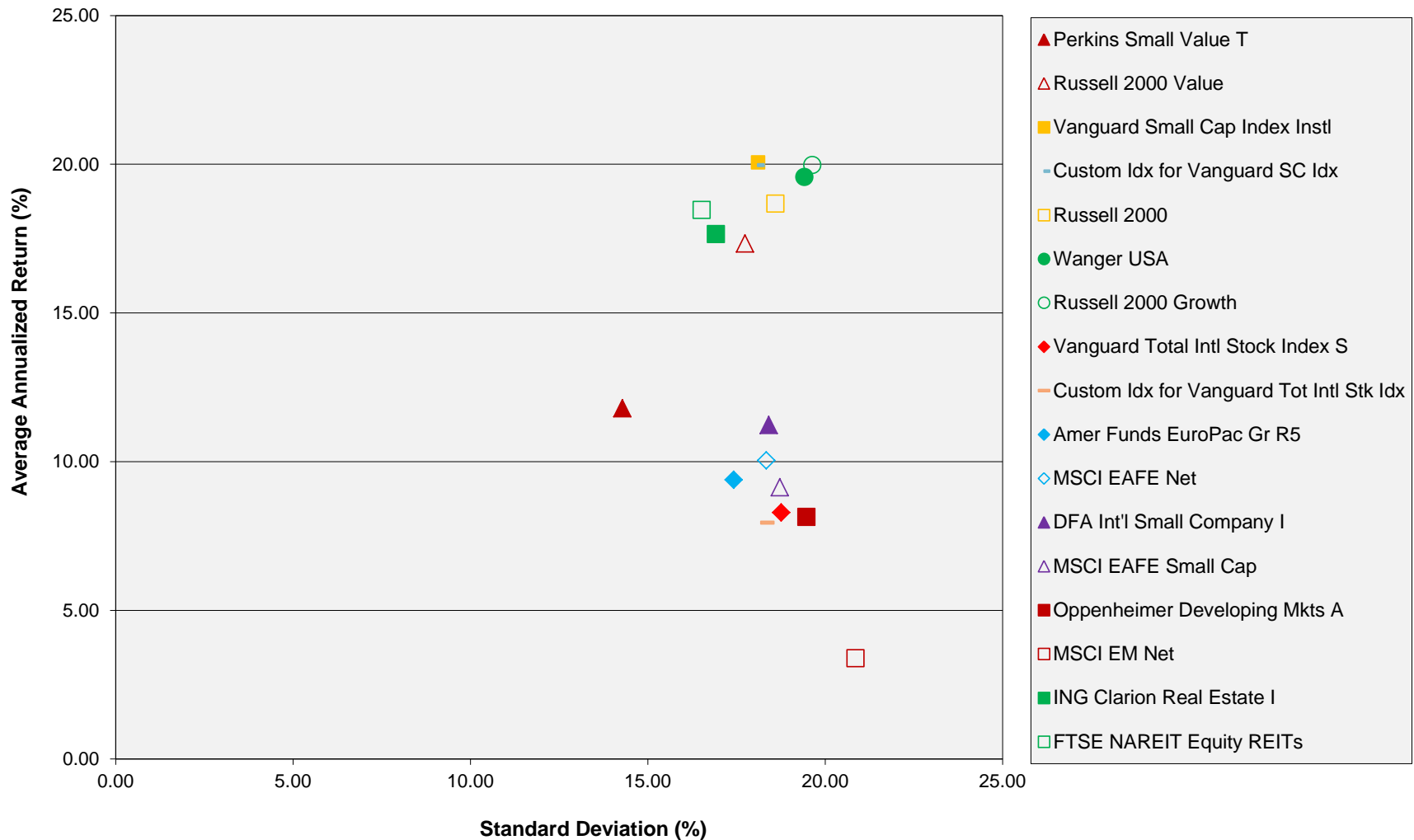


## Three Year Risk/Return Profile Large and Mid Cap Equity Funds

As of June 30, 2013



### Three Year Risk/Return Profile Small Cap and International Equity Funds *As of June 30, 2013*



## Stable Value Performance as of June 30, 2013 (market value, gross of fees)

	Quarter	YTD	1 Year	Annualized			Fees
				3 Years	5 years	Inception	
<b>ING Stable Value (market, gross)</b>	<b>-2.21</b>	<b>-1.96</b>	<b>1.33</b>	<b>4.67</b>	<b>4.89</b>	<b>4.21</b>	<b>0.47</b>
BarCap US Agg Interm Bond Index*	-1.78	-1.63	-0.12	3.71	5.31	5.42	-
BarCap US Agg Bond Index	-2.32	-2.44	-0.69	3.51	5.19	-	-

\*The benchmark from inception through June 30, 2012, was the Barclay's Capital US Aggregate. Effective July 1, 2012, the benchmark was changed to the Barclays Capital Intermediate US Aggregate.

## Stable Value Portfolio Characteristics as of June 30, 2013

	Yield-to Maturity (%)	Effective Duration (years)	Credit Quality Distribution (%)				
			Investment Grade				High Yield
			AAA	AA	A	BBB	Below BBB
<b>ING Stable Value</b>	<b>2.84</b>	<b>3.84</b>	<b>61.3</b>	<b>2.8</b>	<b>11.2</b>	<b>18.0</b>	<b>6.9</b>
BarCap US Agg Interm Bond Index*	1.90	4.01	78.9	3.2	9.2	8.6	0.1

\*The benchmark from inception through June 30, 2012, was the Barclay's Capital US Aggregate. Effective July 1, 2012, the benchmark was changed to the Barclays Capital Intermediate US Aggregate.

## History of Market to Book Value Ratios

End of Month	Sep-08	Dec-08	Mar-09	Jun-09	Sep-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11	Mar-12	Jun-12	Dec-12	Jun-13
Market-to-Book Value Ratio (%)	88.7	84.9	83.5	85.8	89.7	91.7	93.8	95.7	93.9	94.0	95.3	96.6	97.9	98.7	99.7	101.4	98.5

## Fixed Income Portfolio Characteristics

As of June 30, 2013

	Average Maturity (years)	Average Duration (years)	Average Credit Quality	Total Number of Holdings
<b>PIMCO Total Return</b>	<b>6.5</b>	<b>5.8</b>	<b>AA-</b>	<b>5,530</b>
BarCap Aggregate	7.5	5.5	AA+	8,395
Avg Intermediate Term Bond	7.0	5.1	BBB	777
<b>BlackRock Inflation Prot. Bond I</b>	<b>9.7</b>	<b>8.0</b>	<b>AAA</b>	<b>128</b>
BarCap US Treasury US TIPS	8.7	7.7	AAA	28
<b>Templeton Global Bond</b>	<b>2.4</b>	<b>1.6</b>	<b>BBB</b>	<b>306</b>
Avg World Bond	7.2	5.2	BBB	867

	Investment Grade				High Yield Bonds			Other
	AAA	AA	A	BBB	BB	B	Below B	NR/NA
<b>PIMCO Total Return</b>	<b>68</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>-</b>
BarCap Aggregate	74	4	11	11	-	-	-	-
Avg Intermediate Term Bond	47	8	18	21	3	2	1	1
<b>BlackRock Inflation Prot. Bond I</b>	<b>98</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>
BarCap US Treasury US TIPS	100	0	0	0	0	0	0	-
<b>Templeton Global Bond</b>	<b>18</b>	<b>18</b>	<b>28</b>	<b>21</b>	<b>8</b>	<b>6</b>	<b>-</b>	<b>-</b>
Avg World Bond	30	20	16	20	7	5	2	1

## Custom Portfolio Asset Allocation

### Conservative Custom Lifestyle Portfolio

ING Stable Value	50%
PIMCO Total Return	20%
Vanguard Institutional Index	10%
Yacktman	5%
AF Growth Fund of America	5%
Vanguard Small Cap Index	5%
AF Euro Pacific Growth	5%

**Total Fixed/Stable Value**      **70%**  
**Total Equity**      **30%**

Large Cap Domestic Equity	20%
Mid Cap Domestic Equity	0%
Small Cap Domestic Equity	5%
International Equity	5%

### Moderate Custom Lifestyle Portfolio

ING Stable Value	25%
PIMCO Total Return	15%
AF Euro Pacific Growth	15%
Yacktman	10%
AF Growth Fund of America	10%
Fidelity VIP Mid Cap Portfolio	10%
Vanguard Small Cap Index	10%
Vanguard Institutional Index	5%

**Total Fixed/Stable Value**      **40%**  
**Total Equity**      **60%**

Large Cap Domestic Equity	25%
Mid Cap Domestic Equity	10%
Small Cap Domestic Equity	10%
International Equity	15%

### Aggressive Custom Lifestyle Portfolio

AF Euro Pacific Growth	20%
Fidelity VIP Mid Cap Portfolio	20%
AF Growth Fund of America	15%
PIMCO Total Return	15%
Vanguard Small Cap Index	15%
Yacktman	10%
Vanguard Institutional Index	5%

**Total Fixed/Stable Value**      **15%**  
**Total Equity**      **85%**

Large Cap Domestic Equity	30%
Mid Cap Domestic Equity	20%
Small Cap Domestic Equity	15%
International Equity	20%



## Equity Portfolio Style Characteristics

As of June 30, 2013

Allianz NFJ Div  
Value Instl

61	22	0
15	2	0
0	0	0

Yacktman

13	53	17
1	12	3
1	0	0

Vanguard  
Institutional Index

29	29	29
5	5	3
0	0	0

Vanguard Total  
Stock Idx Instl

23	24	25
6	6	7
3	3	3

Fidelity Advisor  
New Insights I

9	19	57
2	2	10
0	0	1

Amer Funds  
Growth of Amer  
R5

9	17	58
4	3	8
0	0	0

Parnassus Equity  
Inc Inv

6	41	16
7	19	6
2	1	2

JPMorgan Mid  
Cap Value Sel

11	7	18
21	24	17
1	2	0

Vanguard Mid Cap  
Index I

2	4	11
29	25	30
0	0	0

Fidelity VIP Mid  
Cap Port. Initial

6	5	15
14	18	15
4	11	10

Perkins Small  
Value T

0	0	0
12	14	6
31	29	9

Wanger USA

0	0	1
2	7	40
10	12	28

Vanguard Total Intl  
Stock Idx S

27	27	24
6	6	5
2	1	1

Amer Funds  
EuroPac Gr R5

21	30	45
1	1	2
0	0	0

DFA Int'l Small  
Company I

0	0	0
21	20	17
17	14	11

Oppenheimer  
Dev. Mkt Y

8	21	62
3	0	6
0	0	0

### Style Legend

54	>50%
27	>25%
19	>10%

Large Value	Large Core	Large Growth
Mid Value	Mid Core	Mid Growth
Small Value	Small Core	Small Growth

## Equity Portfolio Characteristics

As of June 30, 2013

Fund Name	Geo Avg Market Cap \$MM	P/E Ratio	P/B Ratio	Total Number of Holdings	% Assets in Top 10 Holdings	Turnover Ratio	% Non- US Equity	% Emerging Mkts Equity
<b>Allianz NFJ Dividend Value Instl</b>	<b>\$48,107</b>	<b>12.4</b>	<b>1.6</b>	<b>48</b>	<b>31</b>	<b>42</b>	<b>13</b>	<b>0</b>
<b>Yacktman</b>	<b>\$64,077</b>	<b>16.4</b>	<b>2.8</b>	<b>45</b>	<b>49</b>	<b>7</b>	<b>0</b>	<b>0</b>
S&P 500 Value	\$53,805	15.3	1.8	356	26			
Avg Large Value	\$75,201	14.7	1.9	-	37	56	7	0
<b>Vanguard Institutional Index</b>	<b>\$58,053</b>	<b>16.6</b>	<b>2.3</b>	<b>506</b>	<b>18</b>	<b>5</b>	<b>1</b>	<b>0</b>
<b>Parnassus Equity Income Inv</b>	<b>\$22,646</b>	<b>19.6</b>	<b>2.9</b>	<b>41</b>	<b>34</b>	<b>24</b>	<b>7</b>	<b>0</b>
<b>Vanguard Total Stock Mkt Idx Instl</b>	<b>\$32,637</b>	<b>16.8</b>	<b>2.3</b>	<b>3,250</b>	<b>15</b>	<b>3</b>	<b>1</b>	<b>0</b>
S&P 500	\$59,245	16.6	2.3	500	18			
CRSP US Total Market	\$33,305	16.5	2.3	3,594	15			
Avg Large Blend	\$89,788	15.2	2.4	-	47	67	5	0
<b>Fidelity Advisor New Insights I</b>	<b>\$49,456</b>	<b>18.6</b>	<b>3.0</b>	<b>350</b>	<b>30</b>	<b>47</b>	<b>10</b>	<b>0</b>
<b>Amer Funds Growth of Amer R5</b>	<b>\$42,364</b>	<b>18.5</b>	<b>2.9</b>	<b>412</b>	<b>24</b>	<b>18</b>	<b>16</b>	<b>1</b>
S&P 500 Growth	\$64,988	18.0	3.2	294	25			
Avg Large Growth	\$57,337	20.2	3.5	-	38	70	7	1
<b>JPMorgan Mid Cap Value Sel</b>	<b>\$9,616</b>	<b>14.2</b>	<b>2.1</b>	<b>108</b>	<b>15</b>	<b>30</b>	<b>1</b>	<b>0</b>
Russell Mid-Cap Value	\$8,001	14.1	1.6	563	8			
Avg Mid-Cap Value	\$8,037	16.2	1.7	-	17	68	5	0
<b>Vanguard Mid Cap Index Inst</b>	<b>\$8,680</b>	<b>18.5</b>	<b>2.4</b>	<b>368</b>	<b>6</b>	<b>17</b>	<b>3</b>	<b>0</b>
CRSP US Mid Cap	\$8,862	17.0	2.4	362	6			
Avg Mid-Cap Blend	\$6,302	16.8	2.0	-	13	67	3	0
<b>Fidelity VIP Mid Cap Port. Initial</b>	<b>\$5,597</b>	<b>17.7</b>	<b>2.2</b>	<b>366</b>	<b>11</b>	<b>187</b>	<b>12</b>	<b>1</b>
Russell Mid-Cap Growth	\$9,145	21.1	4.5	460	9			
Avg Mid-Cap Growth	\$7,270	13.8	3.5	-	26	84	7	1

## Equity Portfolio Characteristics

As of June 30, 2013

Fund Name	Geo Avg Market Cap \$MM	P/E Ratio	P/B Ratio	Total Number of Holdings	% Assets in Top 10 Holdings	Turnover Ratio	% Non- US Equity	% Emerging Mkts Equity
<b>Perkins Small Value T</b>	<b>\$2,037</b>	<b>18.9</b>	<b>1.6</b>	<b>101</b>	<b>18</b>	<b>62</b>	<b>2</b>	<b>0</b>
Russell 2000 Value	\$1,020	15.0	1.3	1,356	4			
Avg Small Value	\$2,079	15.1	1.3	-	22	75	2	0
<b>Vanguard Small Cap Index Instl</b>	<b>\$2,294</b>	<b>18.3</b>	<b>2.0</b>	<b>1,443</b>	<b>3</b>	<b>14</b>	<b>1</b>	<b>0</b>
CRSP US Small Cap	\$2,337	18.5	2.0	1,438	3			
Russell 2000	\$1,159	18.2	1.9	1,982	2			
Avg Small Blend	\$2,319	17.1	2.1	-	21	61	2	0
<b>Wanger USA</b>	<b>\$2,459</b>	<b>21.5</b>	<b>2.7</b>	<b>148</b>	<b>27</b>	<b>12</b>	<b>3</b>	<b>0</b>
Russell 2000 Growth	\$1,317	23.1	3.6	1,131	5			
Avg Small Growth	\$2,320	24.0	3.2	-	23	84	4	0
<b>Vanguard Total Intl Stock Index S</b>	<b>\$19,670</b>	<b>13.1</b>	<b>1.5</b>	<b>6,146</b>	<b>8</b>	<b>3</b>	<b>98</b>	<b>16</b>
FTSE Global All Cap ex US	\$19,128	14.0	1.4	5,398	9			
Avg Foreign Large Blend	\$34,332	15.1	1.6	-	17	64	91	8
<b>Amer Funds EuroPac Gr R5</b>	<b>\$34,550</b>	<b>15.7</b>	<b>1.8</b>	<b>409</b>	<b>21</b>	<b>27</b>	<b>92</b>	<b>17</b>
MSCI EAFE Net	\$32,138	15.0	1.4	908	14			
Avg Foreign Large Blend	\$34,332	15.1	1.6	-	17	64	91	8
<b>DFA Int'l Small Company I</b>	<b>\$1,256</b>	<b>14.0</b>	<b>1.2</b>	<b>4,446</b>	<b>3</b>	<b>0</b>	<b>89</b>	<b>1</b>
MSCI EAFE Small Cap	\$1,436	14.1	1.2	2,156	3			
Avg Foreign Small/Mid Value	\$3,138	14.2	1.0	-	12	52	96	2
<b>Oppenheimer Developing Mkts A</b>	<b>\$16,999</b>	<b>17.9</b>	<b>2.2</b>	<b>118</b>	<b>0</b>	<b>20</b>	<b>92</b>	<b>71</b>
MSCI EM Net	\$17,549	11.4	1.5	820	16			
Avg Diversified Emerging Markets	\$19,188	11.4	1.6	-	20	77	91	73
<b>ING Clarion Real Estate I</b>	<b>\$9,811</b>	<b>44.3</b>	<b>2.4</b>	<b>51</b>	<b>44</b>	<b>35</b>	<b>0</b>	<b>0</b>
Avg Real Estate	\$11,045	39.0	2.3	-	51	60	4	0

## Equity Portfolio Sector Allocations

As of June 30, 2013  
(yellow shading indicates largest sector allocation)

	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Telecom Services	Utilities
<b>Allianz NFJ Dividend Value Instl</b>	17.5	7.0	6.3	9.4	5.8	12.2	23.9	14.6	1.7	1.6
<b>Yacktman</b>	4.3	1.0	1.7	18.6	32.8	15.2	7.4	19.1	0.0	0.0
S&P 500 Value	14.8	3.4	12.6	6.6	10.0	9.0	24.1	8.7	4.2	6.6
Avg Large Value	12.5	2.8	9.8	9.8	10.2	13.3	22.1	10.0	4.9	4.6
<b>Vanguard Institutional Index</b>	10.9	3.4	10.1	11.6	11.0	12.5	15.9	18.0	3.0	3.5
<b>Parnassus Equity Income Inv</b>	9.1	4.4	19.7	8.1	19.5	8.4	2.1	20.5	0.0	8.2
<b>Vanguard Total Stock Mkt Idx Instl</b>	10.1	3.8	11.2	12.4	9.6	12.3	16.8	17.7	2.6	3.5
S&P 500	10.5	3.3	10.2	12.2	10.5	12.7	16.7	17.8	2.8	3.3
CRSP US Total Market	9.6	3.7	11.2	12.7	9.1	12.4	17.9	17.5	2.5	3.4
Avg Large Blend	10.0	3.7	12.4	12.2	12.3	12.9	17.3	14.7	2.1	2.4
<b>Fidelity Advisor New Insights I</b>	5.0	3.4	6.4	21.0	9.7	13.2	17.1	24.0	0.1	0.1
<b>Amer Funds Growth of Amer R5</b>	11.8	2.5	8.4	22.4	5.5	18.3	8.5	19.5	3.1	0.0
S&P 500 Growth	6.4	3.2	7.9	17.6	11.0	16.3	9.5	26.5	1.5	0.1
Avg Large Growth	6.2	3.5	11.9	13.8	8.7	15.6	6.3	32.1	1.4	0.4
<b>JPMorgan Mid Cap Value Sel</b>	7.0	8.0	10.0	21.7	4.7	5.0	26.8	8.1	0.3	8.4
Russell Mid-Cap Value	8.3	5.5	11.3	9.9	4.6	7.5	30.9	10.7	1.4	10.0
Avg Mid-Cap Value	10.4	7.8	14.6	11.5	4.6	7.4	25.5	10.5	0.8	6.9
<b>Vanguard Mid Cap Index Inst</b>	6.8	5.6	12.9	18.9	6.6	10.5	16.6	14.7	1.1	6.2
CRSP US Mid Cap	6.5	5.6	12.9	19.1	6.3	10.9	16.9	14.9	0.8	6.1
Avg Mid-Cap Blend	7.9	7.5	11.6	16.5	4.8	10.0	20.3	16.7	0.8	3.9
<b>Fidelity VIP Mid Cap Port. Initial</b>	4.2	5.6	16.5	21.2	4.9	9.0	15.2	23.2	0.0	0.2
Russell Mid-Cap Growth	5.6	6.0	15.1	25.6	7.6	13.7	8.2	15.8	1.8	0.6
Avg Mid-Cap Growth	6.1	4.6	21.8	20.4	3.6	13.3	12.2	15.4	1.4	1.2

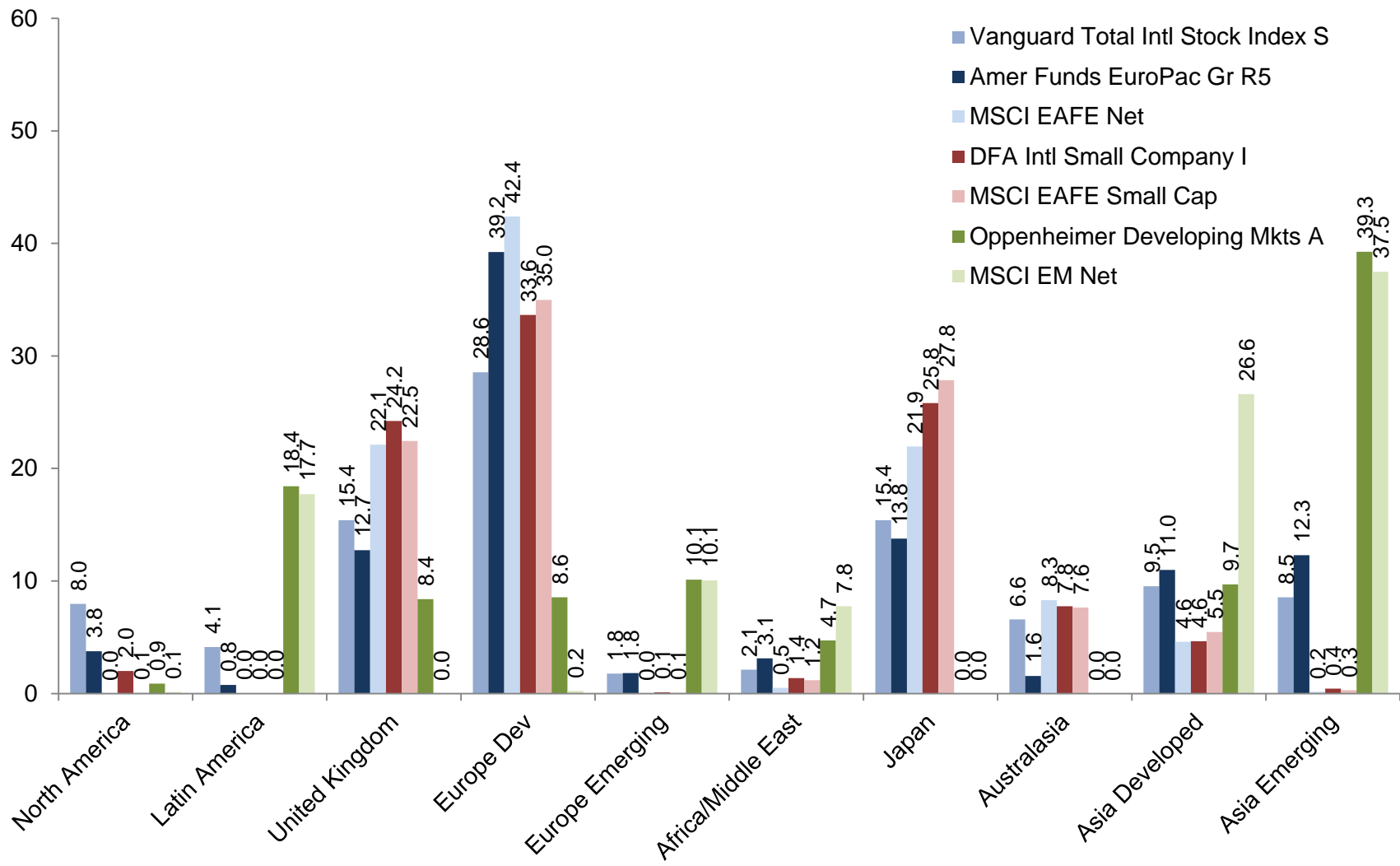
## Equity Portfolio Sector Allocations

As of June 30, 2013  
(yellow shading indicates largest sector allocation)

	Energy	Materials	Industrials	Consumer Discretionary	Consumer Staples	Healthcare	Financials	Information Technology	Telecom Services	Utilities
<b>Perkins Small Value T</b>	<b>8.9</b>	<b>6.5</b>	<b>16.1</b>	<b>5.7</b>	<b>7.7</b>	<b>11.7</b>	<b>32.8</b>	<b>10.7</b>	<b>0.0</b>	<b>0.0</b>
Russell 2000 Value	6.1	5.1	12.3	13.1	2.8	4.5	37.5	12.1	0.5	5.9
Avg Small Value	9.4	7.6	18.3	13.0	3.4	5.5	27.8	11.2	0.3	3.4
<b>Vanguard Small Cap Index Instl</b>	<b>5.6</b>	<b>6.6</b>	<b>16.1</b>	<b>14.9</b>	<b>2.9</b>	<b>10.7</b>	<b>23.8</b>	<b>14.7</b>	<b>0.6</b>	<b>4.0</b>
CRSP US Small Cap	5.1	6.0	15.8	15.6	3.2	10.9	23.7	15.1	0.8	3.9
Russell 2000	5.4	5.0	14.3	14.2	3.9	12.5	23.1	17.4	0.8	3.3
Avg Small Blend	7.9	6.2	18.8	14.7	3.9	9.4	22.3	13.4	0.5	2.9
<b>Wanger USA</b>	<b>5.3</b>	<b>1.1</b>	<b>27.2</b>	<b>11.2</b>	<b>0.6</b>	<b>12.2</b>	<b>19.8</b>	<b>19.5</b>	<b>3.1</b>	<b>0.0</b>
Russell 2000 Growth	5.3	4.6	17.6	16.4	4.8	21.0	7.7	21.3	0.8	0.3
Avg Small Growth	6.0	3.9	20.0	15.5	3.2	17.7	13.4	18.9	0.6	0.8
<b>Vanguard Total Intl Stock Index S</b>	<b>9.0</b>	<b>9.9</b>	<b>11.8</b>	<b>10.8</b>	<b>10.4</b>	<b>7.5</b>	<b>25.5</b>	<b>6.8</b>	<b>4.9</b>	<b>3.3</b>
FTSE Global All Cap ex US	8.8	8.9	12.3	11.4	10.3	7.8	25.5	6.7	5.1	3.4
Avg Foreign Large Blend	7.7	8.3	10.7	12.2	11.8	10.1	23.6	8.5	4.7	2.5
<b>Amer Funds EuroPac Gr R5</b>	<b>3.4</b>	<b>5.7</b>	<b>10.2</b>	<b>15.2</b>	<b>10.7</b>	<b>13.9</b>	<b>19.9</b>	<b>12.9</b>	<b>6.5</b>	<b>1.6</b>
MSCI EAFE Net	7.0	8.0	12.7	11.7	11.8	10.5	25.0	4.4	5.2	3.8
Avg Foreign Large Blend	7.7	8.3	10.7	12.2	11.8	10.1	23.6	8.5	4.7	2.5
<b>DFA Int'l Small Company I</b>	<b>4.0</b>	<b>9.6</b>	<b>25.5</b>	<b>20.7</b>	<b>6.2</b>	<b>5.8</b>	<b>15.6</b>	<b>8.8</b>	<b>1.7</b>	<b>2.0</b>
MSCI EAFE Small Cap	4.3	9.8	21.2	19.7	6.1	6.2	20.4	9.4	1.2	1.6
Avg Foreign Small/Mid Value	5.7	12.2	22.1	17.7	6.4	5.7	19.5	7.1	2.0	1.5
<b>Oppenheimer Developing Mkts A</b>	<b>11.2</b>	<b>4.2</b>	<b>3.9</b>	<b>14.0</b>	<b>22.6</b>	<b>3.4</b>	<b>18.6</b>	<b>18.5</b>	<b>3.6</b>	<b>0.0</b>
MSCI EM Net	10.9	9.0	6.6	8.4	9.7	1.6	27.6	14.8	8.2	3.3
Avg Diversified Emerging Markets	10.1	8.2	6.6	9.8	13.0	2.0	27.5	13.7	6.8	2.3

## International Fund Regional Allocations

As of June 30, 2013



## International Fund Country Allocations

As of June 30, 2013

	Argentina	Australia	Austria	Belgium	Brazil	Canada	Chile	China	Czech Republic	Denmark	Finland	France	Germany	Greece	Hong Kong	Hungary	India	Indonesia	Ireland	Israel	Italy	Japan	Malaysia	Mexico	Netherlands
Vanguard Total Intl Stock Index S		6.4	0.2	0.8	2.3	7.9	0.4	4.5		0.8	0.6	5.6	5.7		2.1		1.6	0.7	0.3	0.4	1.4	15.4	0.8	1.2	1.8
Amer Funds EuroPac Gr R5		1.5		1.6	0.3	2.8		5.5		4.9	1.0	6.9	8.7		4.3		5.0	0.5	1.5	1.1	0.9	13.8	0.3	0.4	2.6
MSCI EAFE Net		8.2	0.3	1.1				0.2		1.0	0.8	9.2	8.6		2.9				0.3	0.5	1.9	21.9			2.5

	New Zealand	Norway	Pakistan	Philippines	Poland	Portugal	Russia	Singapore	Slovakia	South Africa	South Korea	Spain	Sweden	Switzerland	Taiwan	Thailand	Turkey	United Kingdom	United States	Non-US	Venezuela	Vietnam	Lithuania	Latvia	Estonia
Vanguard Total Intl Stock Index S	0.1	0.7		0.3	0.3	0.1	0.8	1.3		1.7	3.3	1.8	2.3	6.0	2.7	0.7	0.5	15.4		99.9					
Amer Funds EuroPac Gr R5		0.2		0.3			1.7			2.0	4.3	1.3	1.4	8.0	2.3	0.8		12.7	0.9	99.1					
MSCI EAFE Net	0.1	0.9				0.2		1.7				3.0	3.1	9.2				22.1		100.0					

## Emerging Markets Country Allocations

As of June 30, 2013

	Argentina	Australia	Austria	Belgium	Brazil	Canada	Chile	China	Czech Republic	Denmark	Finland	France	Germany	Greece	Hong Kong	Hungary	India	Indonesia	Ireland	Israel	Italy	Japan	Malaysia	Mexico	Netherlands
<b>DFA Int'l Small Company I</b>		6.8	0.9	1.1		1.9		0.4		1.6	2.5	3.6	5.3	0.7	2.7				1.1	1.2	2.9	25.8			1.9
MSCI EAFE Small Cap		6.8	0.9	1.3				0.3		2.1	1.4	4.0	6.1	0.6	2.6				1.6	1.2	3.2	27.8			1.8
<b>Oppenheimer Developing Mkts A</b>					9.6		1.2	17.8		1.9		0.5			4.8		14.3	2.6			2.3		1.4	5.5	1.0
MSCI EM Net					8.8		1.7	20.2	0.3							0.2	6.7	2.6					4.1	5.8	0.2

	New Zealand	Norway	Pakistan	Philippines	Poland	Portugal	Russia	Singapore	Slovakia	South Africa	South Korea	Spain	Sweden	Switzerland	Taiwan	Thailand	Turkey	United Kingdom	United States	Non-US	Venezuela	Vietnam	Lithuania	Latvia	Estonia
<b>DFA Int'l Small Company I</b>	1.0	1.1				0.5		1.9				1.7	3.8	4.7				24.2		99.9					
MSCI EAFE Small Cap	0.8	2.2				0.5		2.9				1.7	3.6	3.8				22.5		99.9					
<b>Oppenheimer Developing Mkts A</b>				2.5			7.7	0.2		2.3	2.7			1.1	2.0	0.7	2.4	8.4	0.9	99.1					
MSCI EM Net				1.2	1.7		5.9			7.6	14.6				11.9	2.7	1.9		0.1	99.9					



## General Fund Information

As of June 30, 2013

Fund Name	Manager	Average Tenure (years)	Longest Tenure (years)	Total Assets (\$MM)	Morningstar Rating Overall	Morningstar Analyst Rating
PIMCO Total Return	William H. Gross	26	26	\$288,834	★★★★★	Gold
BlackRock Inflation Prot. Bond I	Brian Weinstein (2)*	6	9	\$3,965	★★★★★	Bronze
Templeton Global Bond	Michael Hasenstab (2)*	7	12	\$68,744	★★★★★	Gold
Vanguard Target Retirement Inc	Michael H. Buek (3)*	0	0	\$10,327	★★★★	Gold
Vanguard Target Retirement 2010	Michael H. Buek (3)*	0	0	\$6,905	★★★★	Gold
Vanguard Target Retirement 2015	Michael H. Buek (3)*	0	0	\$19,439	★★★★★	Gold
Vanguard Target Retirement 2020	Michael H. Buek (3)*	0	0	\$20,118	★★★★	Gold
Vanguard Target Retirement 2025	Michael H. Buek (3)*	0	0	\$24,323	★★★★	Gold
Vanguard Target Retirement 2030	Michael H. Buek (3)*	0	0	\$16,253	★★★★	Gold
Vanguard Target Retirement 2035	Michael H. Buek (3)*	0	0	\$17,569	★★★★	Gold
Vanguard Target Retirement 2040	Michael H. Buek (3)*	0	0	\$10,470	★★★★	Gold
Vanguard Target Retirement 2045	Michael H. Buek (3)*	0	0	\$10,170	★★★★	Gold
Vanguard Target Retirement 2050	Michael H. Buek (3)*	0	0	\$4,567	★★★★	Gold
Vanguard Target Retirement 2055	Michael H. Buek (3)*	0	0	\$661	-	Gold

\* Longest tenured manager listed with total number of fund managers listed in parentheses

**Update:** On February 22, 2013, Duane Kelly, the 10-year manager of the Vanguard Target Retirement funds, was replaced by 3 co-managers: Michael Buek, William Coleman, and Walter Nejman.

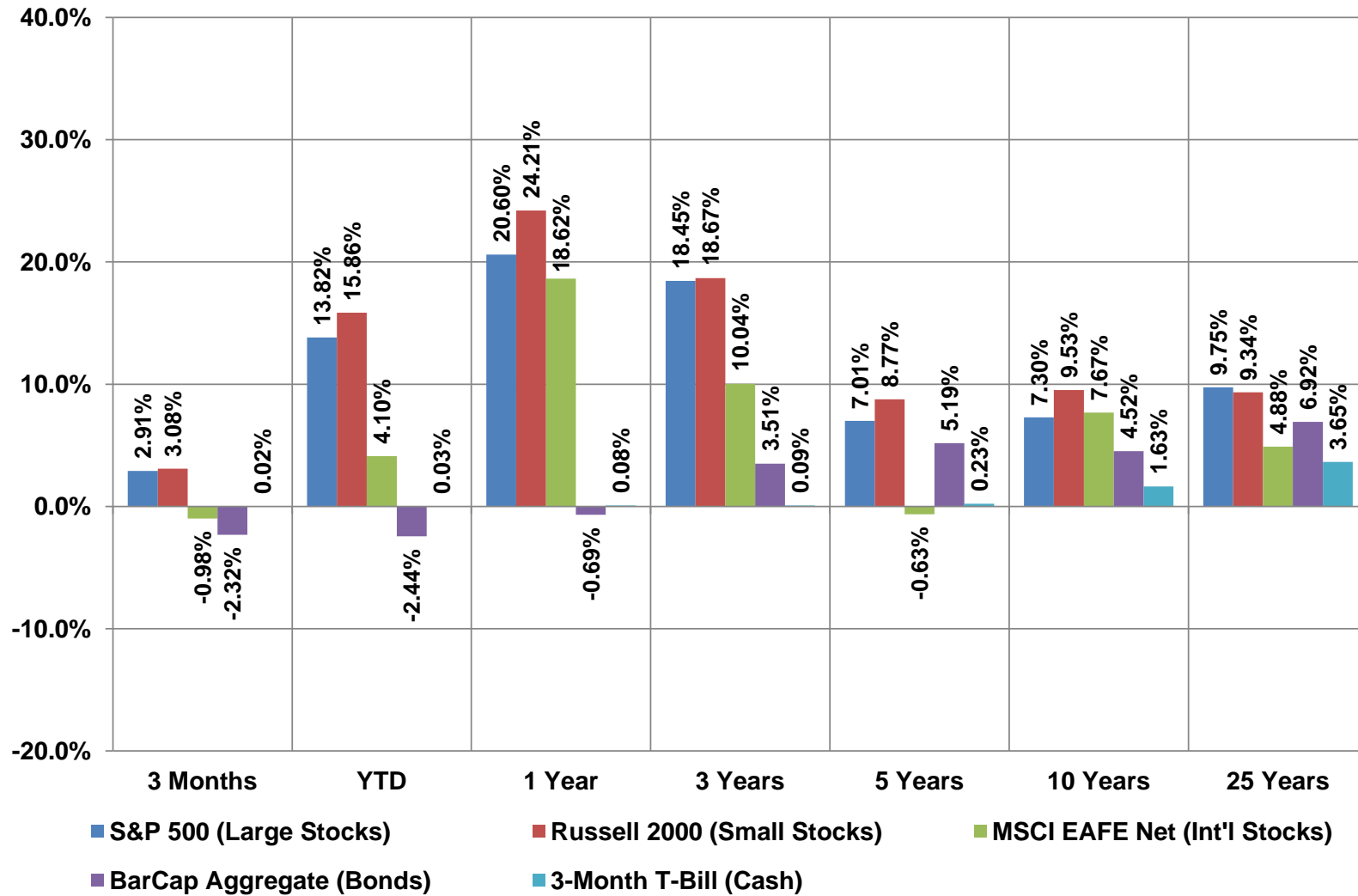
## General Fund Information

As of June 30, 2013

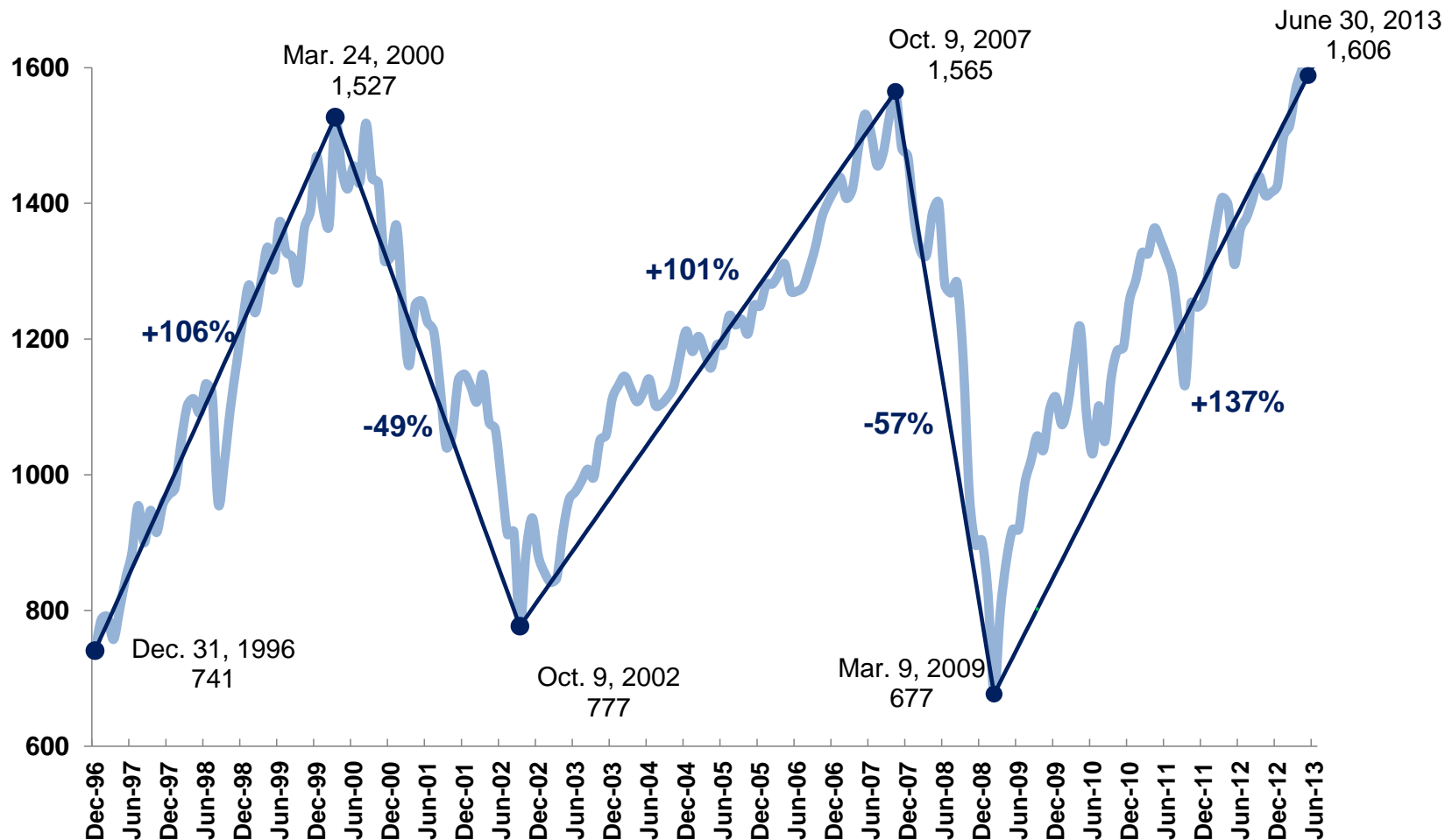
Fund Name	Manager	Average Tenure (years)	Longest Tenure (years)	Total Assets (\$MM)	Morningstar Rating Overall	Morningstar Analyst Rating
Allianz NFJ Dividend Value Instl	Benno J. Fischer (7)*	5	13	\$8,550	★★★	Silver
Yacktman	Donald A. Yacktman (3)*	12	21	\$11,522	★★★★★	Gold
Vanguard Institutional Index	Donald M. Butler	13	13	\$131,708	★★★★★	Gold
Vanguard Total Stock Idx Instl	Gerard C. O'Reilly	19	19	\$241,864	★★★★★	Gold
Parnassus Equity Income Inv	Todd C. Ahlsten (2)*	7	12	\$6,400	★★★★★	Silver
Fidelity Advisor New Insights I	William Danoff	10	10	\$22,283	★★★	Silver
Amer Funds Growth Fund of Amer R5	James E. Drasdo (12)*	12	28	\$113,953	★★★★★	Bronze
JPMorgan Mid Cap Value Sel	Jonathan K.L. Simon (3)*	11	16	\$13,240	★★★★★	
Vanguard Mid Cap Index Inst	Donald M. Butler	15	15	\$37,287	★★★★★	Gold
Fidelity VIP Mid Cap Port. Initial	Thomas Allen	12	12	\$7,912	★★★★★	
Perkins Small Value T	Robert Hunter Perkins (3)*	11	28	\$2,594	★★★★★	Silver
Vanguard Small Cap Index Instl	Michael H. Buek	22	22	\$33,252	★★★★★	Gold
Wanger USA	Robert A. Mohn	18	18	\$832	★★★	
Vanguard Total Intl Stock Index S	Michael Perre	5	5	\$89,807	★★★	
Amer Funds EuroPac Gr R5	Stephen E. Bepler (10)*	13	29	\$98,248	★★★★★	Gold
DFA Int'l Small Company I	Karen E. Umland (3)*	7	15	\$7,358	★★★	Silver
Oppenheimer Developing Mkts Y	Justin Leverenz	6	6	\$32,979	★★★★★	Silver
ING Clarion Real Estate I	T. Ritson Ferguson (2)*	4	4	\$696	★★★★★	

\* Longest tenured manager listed with total number of fund managers listed in parentheses

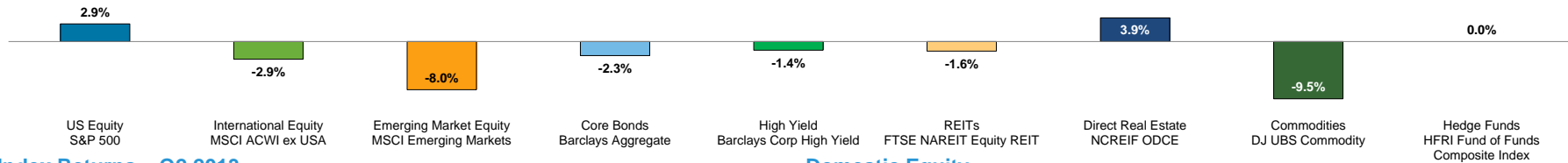
## Capital Market Performance as of June 30, 2013



## S&P 500 Index at Inflection Points



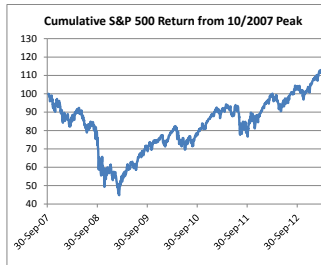
Source: Standard & Poor's, J.P Morgan Asset Management  
Returns based on S&P 500 Index Price Movement



### Index Returns – Q2 2013

- With the first real indication of the conditions for a withdrawal of Quantitative Easing ("QE") on the horizon, bond markets had their worst quarter of returns since 2004, which was the last time the US central bank (the "Fed") initiated a reversal of extended monetary stimulus.
- In December 2012, the Federal Open Markets Committee ("FOMC") outlined specific economic objectives that would warrant the end of QE3. FOMC comments made in late May and at the June 2013 meeting went on to state that if its optimistic expectations for the US economy were met, QE operations would be gradually reduced or tapered later in the year and possibly ended entirely in 2014, albeit ahead of any increase in base rates, let alone any unwinding of the stimulus.
- A surge in volatility afflicted investment markets upon this announcement, as investors concerned themselves with the impact of the early withdrawal of monetary stimulus with both bonds and equities falling sharply.
- Towards the end of the quarter, equities recovered somewhat as the Fed reaffirmed that any tapering in QE would be more conditional than the market was pricing in.
- By the end of the quarter most developed equity markets ended marginally higher than at the start, glossing over substantial volatility during the quarter. Bond yields, however, did not respond in a similar manner, and most markets saw yields rising to finish the quarter a significant step higher than their starting point.
- US economic data continued to show evidence of gradually improving prospects. The labor market continued to steadily improve with an average monthly increase in non-farm payrolls of just under 200,000, and an unemployment rate that held steady at 7.6%.
- The improving US budget deficit picture and the prospect of QE ending earlier in the US than elsewhere helped the US dollar appreciate against most currencies.
- Japan's equity resurgence continued into the second quarter before selling off in mid-May, following gathering doubt about the Abe government's ability to deliver its "third arrow" of tax and institutional reform. Japan is entering a critical phase to assess the extent to which the real economy responds to "Abenomics."
- Developments in China, including a spike in the Shanghai interbank offered rate ("SHIBOR"), weighed heavily on emerging markets in Asia, and disappointing economic performance afflicted Brazil and India. There was a particularly sharp reaction to the adjustment in market expectations regarding US Fed policy in general, resulting in significant sell-offs in emerging market equity and bonds.

### Domestic Equity



- US Equities rallied going into the quarter, and the S&P 500 traded at a record high level. Gains were partially given back, however, as the end of quantitative easing became a concern. The S&P 500 returned 2.9%.
- Mega- and small-cap stocks returned about 3%, while mid-cap trailed only slightly at 2.2%. The better performing sectors included financials and consumer discretionary, both of which returned about 7%. Commodity-oriented sectors, such as energy and materials, produced slightly negative returns on the back of falling commodity prices.

- With respect to style, performance was mixed. Growth outperformed value in the small- and mid-cap space but lagged in mega-cap. Large-cap value outperformance is partially attributable to strong gains generated by money-center banks.

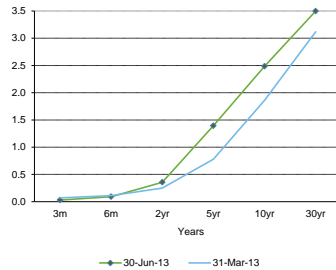
### International Equity

- The risk of potential tail events and the pace of economic decline appeared to moderate in Europe, but the macroeconomic backdrop still remained difficult and resulted in underperformance for **International Equities**. Strength in the US dollar was also a contributing factor, bolstered by higher expected interest rates on anticipated Fed tapering. The MSCI ACWI-ex US Index returned -2.9% with losses being particularly pronounced within the emerging markets.
- Japan was again a top performer among developed-market equities and returned 4.4%. As was the case last quarter, a weaker Japanese yen masked gains to US investors. In local-market terms, Japan rose more than 10%. The more stable European markets, such as Germany and France, produced modest low single-digit gains, but peripheral European and Asian countries were mostly negative.

### Emerging Market Equities

- **Emerging Market Equities** underperformed during the quarter, producing a -8.0% loss in US dollar terms and -4.3% in local terms.
- Turkey and Brazil were especially weak due to negative reactions to deep-seated political and civil unrest and concerns about current account weakness.
- Sentiment in China's services sector was the weakest since 2005, while manufacturing output contracted in China, India, South Korea, Taiwan, and Vietnam, partly due to the slide in the yen increasing Japan's competitiveness against dollar-linked economies.

Treasury Curve (%)

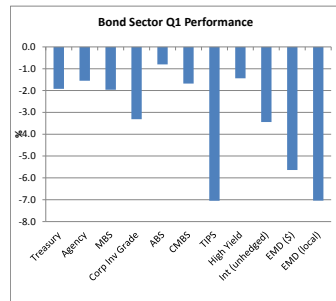


## Bond Markets – Interest Rates

- Interest rates spiked dramatically during the quarter with the yield on the 10 Year Treasury Note rising from 1.85% to 2.49%, briefly rising over 2.6% intra-quarter. Volatility was driven by Fed chairman Bernanke's comments on the timing of reduced quantitative easing, currently in the form of \$85 billion in monthly asset purchases. He did seek to soothe market concerns, however, by stressing that the path of QE tapering would be dependent on economic data.

## Bond Markets – Sectors

- The **Barclays Aggregate Index** returned -2.3% with greater losses among longer-term Treasuries and investment-grade corporates leading the index lower. Treasuries and MBS securities both suffered on the prospect of decreased Fed purchases. Investment-grade corporates underperformed with losses of -3.3%. ABS was the best performing sector in index, restricting losses to -0.8%. High yield, not part of the Barclays Aggregate, lost -1.4% during the quarter.



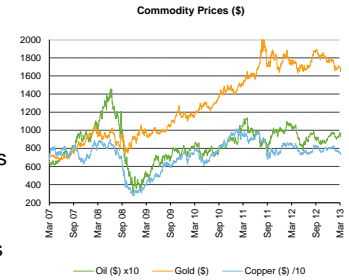
- TIPS did particularly poorly during the quarter and declined more than -7.0%. A lack of inflationary pressures weighed on performance, combined with expectations of QE tapering. Market participants noted that the US Treasury department exhibited notable interest in the sector and investigated if abnormally low liquidity contributed to the pronounced losses.

## Global Bond Markets

- International Fixed Income** trailed that of the US during the quarter with the Citigroup WGBI non-USD Index returning -3.4%. Japan was again a notable contributor to the relative decline. This was a result of yields rising with the Bank of Japan's pursuit of its new inflation target, which also served to further weaken the yen. The Australian curve (one of the flatter international curves) steepened on a rate cut by the Reserve Bank of Australia.
- Emerging market debt** fared even worse with the JP Morgan EMBI Global Diversified Index (sovereign, USD-denominated), returning -5.6% during the quarter. Local currency markets returned -7.0%. Although potential Fed tapering served as the catalyst for losses, excessive positioning and technical factors were also contributors. The asset class had experienced significant inflows as a result of accommodative monetary policy in the US and Japan.

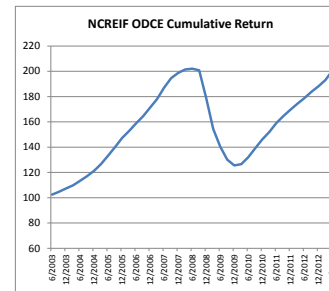
## Commodities

- The collapse in **gold** accelerated rapidly, nearing a three year low during the quarter and leaving it down by more than one third since the bubble burst in 2011. Statements from the US Fed did little to stop the rout, as the prospect of more normal financial conditions with positive real yields on bonds encouraged investors to seek returns elsewhere.
- Metals prices also fell during the period, with **copper** down on slowing demand from China and expectations of further supply entering the market later this year.
- Oil** prices rose towards the end of the period, reaching a 2013 high just after quarter end. The market reacted to political turmoil in Egypt and civil war in Syria with supply forecasts reduced on concerns that the unrest would affect the flow of oil through the Suez Canal.



## Real Estate

- The NCREIF Open-End Diversified Core (**ODCE**) Index, an index of open-end diversified core real estate funds that invest in direct real estate, returned a preliminary 3.9% (gross) during the quarter. Capital appreciation contributed about 2/3rds of the return, with the remainder derived from income.
- The FTSE NAREIT Equity **REIT** Index returned -1.6% for the quarter. REITs had continued to rally into the quarter, but tumbled roughly 15% from mid-May through mid-June in anticipation of Fed tapering. Sectors with more stable, bond-like return profiles (such as health care) fared the worst.



## Funds of Hedge Funds

- In a volatile quarter for most markets, Hedge Funds weathered the storm relatively well and posted flat returns overall. Hedge funds with a focus on emerging markets struggled as that region sold off, and were among the poorer returners.
- Global macro managers also found the environment difficult while equity-hedge and event-driven strategies fared the best, on average, posting positive returns for the quarter.

## Market Indices – For Periods Ended June 30, 2013

	3 Months Return	6 Months Return	9 Months Return	1 Year Return	2 Years *Return	3 Years *Return	4 Years *Return	5 Years *Return	10 Years *Return
S&P 500 Index	2.91	13.82	13.39	20.60	12.77	18.45	17.43	7.01	7.30
NASDAQ	4.52	13.43	10.42	17.60	12.17	18.64	17.97	9.38	8.42
MSCI EAFE Index	-0.73	4.47	11.36	19.14	1.58	10.55	9.49	-0.16	8.16
MSCI Emerging Markets Index	-7.95	-9.40	-4.32	3.23	-6.70	3.72	8.34	-0.11	14.02
MSCI All Country World ex USA	-2.90	0.27	6.18	14.14	-1.01	8.48	9.07	-0.34	9.09
Russell 1000 Index	2.65	13.91	14.04	21.24	12.49	18.63	17.77	7.12	7.67
Russell Midcap Index	2.21	15.45	18.77	25.41	11.06	19.53	20.91	8.28	10.65
Russell 2000 Index	3.08	15.86	18.01	24.21	10.28	18.67	19.37	8.77	9.53
Russell 3000 Index	2.69	14.06	14.34	21.46	12.31	18.63	17.90	7.25	7.81
Russell 1000 Growth Index	2.06	11.80	10.33	17.07	11.27	18.68	17.39	7.47	7.40
Russell 1000 Value Index	3.20	15.90	17.67	25.32	13.62	18.51	18.11	6.67	7.79
Russell Midcap Growth Index	2.87	14.70	16.64	22.88	9.18	19.53	19.97	7.61	9.94
Russell Midcap Value Index	1.65	16.10	20.65	27.65	12.77	19.53	21.81	8.87	10.92
Russell 2000 Growth Index	3.74	17.44	17.96	23.67	9.69	19.97	19.46	8.89	9.62
Russell 2000 Value Index	2.47	14.39	18.07	24.76	10.89	17.33	19.22	8.59	9.30
NAREIT Equity REITs	-1.57	6.49	9.24	9.42	11.16	18.18	26.24	7.57	10.88
Barclays Capital Intermediate G/C Bond Index	-1.70	-1.45	-1.11	0.28	2.82	3.14	4.40	4.57	4.03
Barclays Capital Long Term G/C Bond Index	-6.11	-7.97	-7.56	-4.69	8.97	7.01	9.30	8.50	6.21
Barclays Capital Mortgage-Backed Securities	-1.96	-2.01	-2.21	-1.10	1.89	2.51	3.73	4.84	4.70
Barclays Capital Aggregate Bond Index	-2.32	-2.44	-2.24	-0.69	3.31	3.51	4.97	5.19	4.52
Barclays Capital U.S. TIPS	-7.05	-7.39	-6.75	-4.78	3.11	4.63	5.83	4.41	5.19
Barclays Capital U.S. Government	-1.88	-2.04	-2.10	-1.51	3.29	2.94	3.81	4.37	4.07
Barclays Capital U.S. Corporate Inv Grade	-3.31	-3.41	-2.38	1.36	5.45	5.73	8.19	7.30	5.18
Barclays Capital U.S. Corporate High Yield	-1.44	1.42	4.75	9.49	8.38	10.74	14.55	10.94	8.91
Citigroup Non-US WGBI USD	-3.44	-7.14	-9.33	-5.72	-2.69	2.57	2.31	2.55	4.78
JP Morgan EMBI Global Diversified USD	-5.64	-7.77	-5.19	1.11	5.35	7.33	10.00	8.37	8.58
JP Morgan GBI EM Global Diversified USD	-7.04	-7.15	-3.32	1.32	-0.20	6.03	8.32	6.71	10.28
Citigroup 90-Day Treasury Bills	0.02	0.03	0.06	0.08	0.06	0.09	0.09	0.23	1.63



## Market Indices – Annual Returns

	2003 Return	2004 Return	2005 Return	2006 Return	2007 Return	2008 Return	2009 Return	2010 Return	2011 Return	2012 Return
S&P 500 Index	28.68	10.88	4.91	15.79	5.49	-37.00	26.46	15.06	2.11	16.00
NASDAQ	50.69	9.15	2.12	10.38	10.55	-40.03	45.32	18.02	-0.83	17.45
MSCI EAFE Index	39.17	20.70	14.02	26.86	11.63	-43.06	32.46	8.21	-11.73	17.90
MSCI Emerging Markets Index	56.28	25.95	34.54	32.55	39.82	-53.18	79.02	19.20	-18.17	18.63
MSCI All Country World ex USA	41.41	21.36	17.11	27.16	17.12	-45.24	42.14	11.60	-13.33	17.39
Russell 1000 Index	29.89	11.40	6.27	15.46	5.77	-37.60	28.43	16.10	1.50	16.42
Russell Midcap Index	40.06	20.22	12.65	15.26	5.60	-41.46	40.48	25.48	-1.55	17.28
Russell 2000 Index	47.25	18.33	4.55	18.37	-1.57	-33.79	27.17	26.85	-4.18	16.35
Russell 3000 Index	31.06	11.95	6.12	15.72	5.14	-37.31	28.34	16.93	1.03	16.42
Russell 1000 Growth Index	29.75	6.30	5.26	9.07	11.81	-38.44	37.21	16.71	2.64	15.26
Russell 1000 Value Index	30.03	16.49	7.05	22.25	-0.17	-36.85	19.69	15.51	0.39	17.51
Russell Midcap Growth Index	42.71	15.48	12.10	10.66	11.43	-44.32	46.29	26.38	-1.65	15.81
Russell Midcap Value Index	38.07	23.71	12.65	20.22	-1.42	-38.44	34.21	24.75	-1.38	18.51
Russell 2000 Growth Index	48.54	14.31	4.15	13.35	7.05	-38.54	34.47	29.09	-2.91	14.59
Russell 2000 Value Index	46.03	22.25	4.71	23.48	-9.78	-28.92	20.58	24.50	-5.50	18.05
NAREIT Equity REITs	37.13	31.58	12.16	35.06	-15.69	-37.73	27.99	27.96	8.29	18.06
Barclays Capital Intermediate G/C Bond Index	4.31	3.04	1.58	4.08	7.39	5.08	5.24	5.89	5.80	3.89
Barclays Capital Long Term G/C Bond Index	5.87	8.56	5.33	2.71	6.60	8.44	1.92	10.16	22.49	8.78
Barclays Capital Mortgage-Backed Securities	3.07	4.70	2.61	5.22	6.90	8.34	5.89	5.37	6.23	2.59
Barclays Capital Aggregate Bond Index	4.10	4.34	2.43	4.33	6.97	5.24	5.93	6.54	7.84	4.21
Barclays Capital U.S. TIPS	8.40	8.46	2.84	0.41	11.64	-2.35	11.41	6.31	13.56	6.98
Barclays Capital U.S. Government	2.36	3.48	2.65	3.48	8.66	12.39	-2.20	5.52	9.02	2.02
Barclays Capital U.S. Corporate Inv Grade	8.24	5.39	1.68	4.30	4.56	-4.94	18.68	9.00	8.15	9.82
Barclays Capital U.S. Corporate High Yield	28.97	11.13	2.74	11.85	1.87	-26.16	58.21	15.12	4.98	15.81
Citigroup Non-US WGBI USD	18.52	12.14	-9.20	6.94	11.45	10.11	4.39	5.21	5.17	1.51
JP Morgan EMBI Global Diversified USD	22.21	11.62	10.25	9.86	6.16	-12.03	29.82	12.24	7.35	17.44
JP Morgan GBI EM Global Diversified USD	16.92	22.97	6.27	15.22	18.11	-5.22	21.98	15.68	-1.75	16.76
Citigroup 90-Day Treasury Bills	1.07	1.24	3.00	4.76	4.74	1.80	0.16	0.13	0.08	0.07



## Glossary of Investment Terms

**Alpha** is a measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta. A positive Alpha figure indicates the portfolio has performed better than its beta would predict. In contrast, a negative Alpha indicates the portfolio has underperformed, given the expectations established by beta.

**Average Credit Quality** gives a snapshot of the portfolio's overall credit quality. It is an average of each bond's credit rating, adjusted for its relative weighting in the portfolio. For corporate bond and municipal bond funds, Morningstar also shows the percentage of fixed-income securities that fall within each credit-quality rating, as assigned by Standard & Poor's or Moody's. Because it's rare to find individual bonds in a portfolio with a rating below B, the average credit quality of bond funds in Morningstar's database ranges from AAA (highest) to B (lowest). AAA bonds carry the highest credit rating, while bonds issued by speculative companies usually carry the lowest credit ratings. For taxable bonds, anything at or below BB is considered a high-yield or junk bond. For the purpose of Morningstar's calculations, U.S. government bonds are considered AAA and other nonrated bonds generally are considered B.

**Average Duration** is a measure of a fund's interest-rate sensitivity. The longer a fund's duration, the more sensitive the fund is to shifts in interest rates. Duration is determined by a formula that includes coupon rates and bond maturities. Small coupons tend to increase duration, while shorter maturities and higher coupons shorten duration.

**Average Maturity** is a weighted average of all the maturities of the bonds in a portfolio, computed by weighting each bond's effective maturity by the market value of the security. Average effective maturity takes into consideration all mortgage prepayments, puts, and adjustable coupons. Longer-maturity funds are generally considered more interest-rate sensitive than their shorter counterparts.

**Batting Average** is a measure of a manager's ability to consistently beat the market. It is calculated by dividing the number of months in which the manager beat or matched an index by the total number of months in the period. For example, a manager who meets or outperforms the market every month in a given period would have a batting average of 100. A manager who beats the market half of the time would have a batting average of 50.

**Beta** is a measure of systematic risk with respect to a benchmark. Systematic risk is the tendency of the value of the fund and the value of benchmark to move together. Beta measures the sensitivity of the fund's excess return (total return minus the risk-free return) with respect to the benchmark's excess return that results from their systematic co-movement. It is the ratio of what the excess return of the fund would be to the excess return of the benchmark if there were no fund-specific sources of return. If beta is greater than one, movements in value of the fund that are associated with movements in the value of the benchmark tend to be amplified. If beta is one, they tend to be the same, and if beta is less than one, they tend to be dampened. If such movements tend to be in opposite directions, beta is negative. Beta is measured as the slope of the regression of the excess return on the fund as the dependent variable and the excess return on the benchmark as the independent variable. The beta of the market is 1.00 by definition. Morningstar calculates beta by comparing a portfolio's excess return over T-bills to the benchmark's excess return over T-bills, so a beta of 1.10 shows that the portfolio has performed 10% better than its benchmark in up markets and 10% worse in down markets, assuming all other factors remain constant.

**Downside Capture Ratio** measures a manager's performance in down markets relative to the market (benchmark) itself. For example, if the ratio is 90%, the manager has captured 90% of the down-market and outperformed the market on the downside.

**Geometric Average Market Cap** provides a measure of the size of the companies in which the fund invests. It is the weighted mean of the market capitalizations of the stocks in the fund's portfolio and is calculated by raising the market capitalization of each stock to a power equal to that stock's stake in the portfolio. The resulting numbers are multiplied together to produce the geometric mean of the market caps of the stocks in the portfolio, which is reported as average market capitalization.

**Information Ratio** is a risk-adjusted performance measure. The information ratio is a special version of the Sharpe Ratio in that the benchmark is typically the fund's performance benchmark instead of the risk free rate. A higher information ratio indicates higher active returns per unit of active risk while a lower information ratio may indicate low levels of active returns, high levels of active risk or both.

**P/B Ratio** is the weighted average of the price/book ratios of all the stocks in a portfolio. The P/B ratio of a company is calculated by dividing the market price of its stock by the company's per-share book value. Stocks with negative book values are excluded from this calculation. In theory, a high P/B ratio indicates that the price of the stock exceeds the actual worth of the company's assets, while a low P/B ratio indicates that the stock is a bargain. In practice, book value is an accounting number and for a variety of reasons may not reflect the actual value assigned to a company or security by market participants.

**P/E Ratio** is the weighted average of the price/earnings ratios of all the stocks in a portfolio. A fund's price/earnings ratio can act as a gauge of the fund's investment strategy in the current market climate, and whether it has a value or growth orientation. Companies in those industries enjoying a surge of popularity tend to have high P/E ratios, reflecting a growth orientation. More staid industries tend to have low P/E ratios, reflecting a value orientation. Morningstar generates this figure in-house on a monthly basis, based on the most-recent portfolio holdings submitted by the fund and stock statistics gleaned from our internal U.S. equities databases. Negative P/Es are not used, and any P/E greater than 60 is capped at 60 in the calculation of the average.

**Peer Group Ranking** is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. Morningstar categorizes funds based on their portfolio holdings (portfolio statistics and compositions over the past 3 years). The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1.

**Sharpe Ratio** A risk-adjusted measure developed by Nobel Laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe ratio is calculated for the past 60-month period by dividing a fund's annualized excess returns by the standard deviation of a fund's annualized excess returns. Since this ratio uses standard deviation as its risk measure, it is most appropriately applied when analyzing a fund that is an investor's sole holding. The Sharpe Ratio can be used to compare two funds directly on how much risk a fund had to bear to earn excess return over the risk-free rate.

**Standard Deviation** is a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

**Total Return** is determined by taking the change in net asset value, reinvesting all income and capital-gains distributions, and dividing by the starting net asset value (NAV). Reinvestments are made using the actual reinvestment NAV, and daily payoffs are reinvested monthly. Total return is expressed as a percentage.

**Tracking Error** is a measure of the volatility of excess returns relative to a benchmark.

**Turnover Ratio:** This is a measure of the fund's trading activity which is computed by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets. A turnover ratio of 100% or more does not necessarily suggest that all securities in the portfolio have been traded. In practical terms, the resulting percentage loosely represents the percentage of the portfolio's holdings that have changed over the past year. A low turnover figure (20% to 30%) would indicate a buy-and-hold strategy while a high turnover (more than 100%) would indicate an investment strategy involving considerable buying and selling of securities.

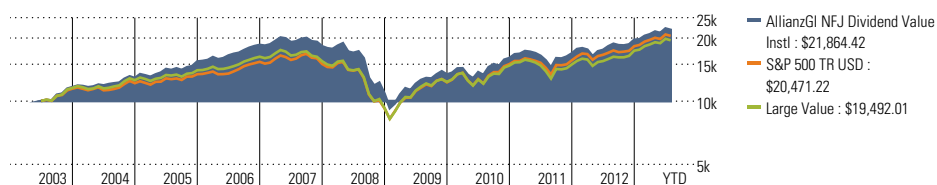
**Upside Capture Ratio** measures a manager's performance in up markets relative to the market (benchmark) itself. For example, if the ratio is 110%, the manager has captured 110% of the up-market and outperformed the market on the upside.

# AllianzGI NFJ Dividend Value Instl NFJEX

Morningstar Analyst Rating  
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
14.47	↓-0.22   -1.50	2.63	8.8	Open	\$1	None	0.71%	★★★	Large Value	Large Growth

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks long-term growth of capital and income. The fund normally invests at least 80% of its net assets (plus borrowings made for investment purposes) in common stocks and other equity securities of companies that pay or are expected to pay dividends. It normally invests primarily in common stocks of companies with market capitalizations greater than \$3.5 billion. The fund may invest in real estate investment trusts (REITs) and in non-U.S. securities, including emerging market securities.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,730	9,833	12,005	16,442	12,839	21,824
Fund	17.30	-1.67	20.05	18.03	5.12	8.12
+/- S&P 500 TR USD	-0.49	0.17	0.00	-1.03	-2.69	0.72
+/- Category	-1.21	0.32	-2.45	0.67	-1.79	0.87
% Rank in Cat	68	28	72	40	83	24
# of Funds in Cat	1,213	1,253	1,170	1,020	928	598

\* Currency is displayed in USD

## Top Holdings 07-31-2013

	Weight %	Last Price	Day Chg %	52 Week Range
Wells Fargo & Co	4.18	41.10 USD	-3.06 ↓	31.25 - 44.78
ConocoPhillips	4.08	66.04 USD	-0.41 ↓	53.95 - 67.91
JPMorgan Chase & Co	3.98	50.68 USD	-2.16 ↓	36.71 - 56.93
⊕ Ford Motor Co	3.80	15.87 USD	-3.32 ↓	9.25 - 17.67
Intel Corp	3.74	22.15 USD	-0.56 ↓	19.23 - 25.98
% Assets in Top 5 Holdings	19.77			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

## Top Sectors 07-31-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	22.89	22.89	18.40	21.51	■ Fund ▼ Cat Avg
Energy	17.70	18.50	17.70	12.29	
Technology	14.24	15.54	10.96	10.12	
Healthcare	12.00	12.35	11.68	13.19	
Consumer Cyclical	10.03	10.03	4.01	8.96	

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-06-20	14.05	0.0000	0.0000	0.0000	0.0900	0.0900
2013-03-21	13.69	0.0000	0.0000	0.0000	0.0900	0.0900
2012-12-20	12.87	0.0000	0.0000	0.0000	0.1300	0.1300
2012-09-20	13.06	0.0000	0.0000	0.0000	0.0800	0.0800
2012-06-21	11.61	0.0000	0.0000	0.0000	0.1000	0.1000

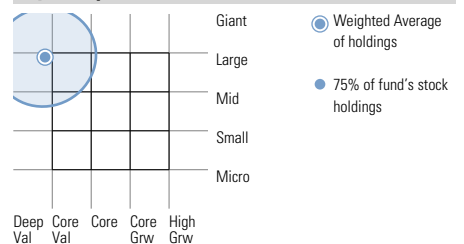
## 3 Year Average Morningstar Risk Measures

Risk vs. Category (1020)	Avg			
Return vs. Category (1020)	Avg			
		Low	Avg	High

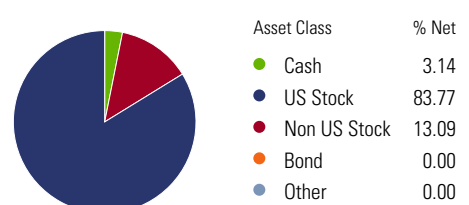
## Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	Silver

## Style Map



## Asset Allocation



## Management

Morley D. Campbell  
Start Date: 2012-08-29

# AllianzGI NFJ Dividend Value Instl NFJEX

## Analysis

### Worth sticking with.

By Katie Rushkewicz Reichart, CFA 2/27/2013

Allianz NFJ Dividend Value's lumpy short-term returns ultimately provide a smooth ride.

Living up to its name, every stock in this fund's portfolio must pay a dividend. However, it's not simply a pure yield play, and the fund won't necessarily have the highest payout in the category. Valuation factors in as well, and the managers will shy away from the highest-yielding sectors if stocks look overvalued.

That led the managers to pare back the fund's telecom and utilities stakes in 2011 as investors' flight to safety pushed up valuations. (As of January 2013, it still had less exposure to those sectors than the Russell 1000 Value Index and average large-value peer.) As a result, in 2011's risk-averse market the fund lagged some dividend-focused peers that had more exposure to those sectors. However, underweighting those sectors provided a tailwind in 2012, an environment where higher-yielding names generally lagged. Indeed, some of the portfolio's lowest-yielding names provided the biggest boost for the year, including Whirlpool WHR, which benefited from an improving housing market.

While its approach can result in nuanced performance versus income-focused rivals, the fund still mirrors the broader behavior of dividend-oriented funds. It surpassed the benchmark and broad large-value category in 2011's risk-averse market, but its relative returns have lagged in environments that have rewarded risk, including 2009, 2010, and 2012. As a result, the fund's trailing five-year return through Feb. 25 lags the benchmark and lands in the category's bottom quintile.

Such short-term performance blips haven't prevented smoother long-term returns: The fund's oldest Institutional share class boasts one of the category's stronger records since its 2000 inception. What's more, the fund provides the downside protection investors would expect from a dividend-focused fund, losing just 89% as much as the benchmark in down markets. Stable management and reasonable fees are other pluses. It's worth stick-

ing with.

**Process Pillar:**  Positive

This fund follows the same formula that's been used at all the firm's offerings since its 1989 founding. All holdings in the portfolio must pay a dividend, which the managers view as a sign of a company's financial stability and an important contributor to total return. Companies that eliminate their dividends are automatically sold from the portfolio. Those that reduce their payouts are monitored closely but aren't sold unless there are better candidates.

The strategy isn't simply yield-centric, though. The managers seek out stocks with low price/earnings ratios relative to their history, industry, or the market. Every day a quantitative report produces a list of investable ideas based on yield and valuations. The team then digs deeper into a company's financial statements to determine whether it has better relative value than other holdings. Price momentum is used to flag potential value traps. The managers avoid buying firms with poor price momentum scores and use the scores as a sell signal. In fact, price momentum led the managers to exit or avoid some troublesome financials and homebuilders during the 2007-09 market meltdown. The team also considers downward earnings revisions by sell-side analysts a red flag, as additional downward revisions from other analysts often follow. The portfolio holds 40-50 names, with position sizes capped at 4% of assets.

While yield is important, it's not the main driver of the process. In fact, the managers will limit exposure to certain sectors if valuations appear overheated. In 2011, investors seeking yield and safety pushed up valuations in the utilities sector, but the fund had only half as much exposure as the Russell 1000 Value Index and less than its average peer. (The fund's 2% utilities stake as of January 2013 remained below average.) Similarly, the fund has had less telecom exposure than the benchmark and peer group since 2011.


Due to its sensitivity to valuations, the fund won't always have the highest yield in the large-value category. Indeed, as of January, several funds had

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	17.30	-1.21
2012	14.31	-0.25
2011	3.44	4.19
2010	13.57	-0.09
2009	13.32	-10.81

### Analyst Favorites by Category

	YTD Return %
American Funds American Mutual A	16.17
American Funds Washington Mutual A	17.79
Dodge & Cox Stock	22.85
T. Rowe Price Equity Income	17.44
Large Value	18.52

# AllianzGI NFJ Dividend Value Instl NFJEX

## Analysis

12-month trailing yields higher than the fund's 2.90%. However, nearly all of those funds had more exposure to the yield-heavy telecom and utilities sectors. Even so, the fund's yield regularly sits near the top of the large-value category.

The managers have found better valuation prospects in economically sensitive sectors such as energy and materials. This cyclical tilt has helped the fund keep pace when the market has rewarded risk, and it stayed ahead of many of its higher-yielding peers in 2012. The fund has long been light on financials relative to the benchmark, with dividend cuts and uncertainty about balance sheet strength in recent years dimming their appeal. This light position was a headwind in 2012.

### Performance Pillar: + Positive

The fund's dividend focus means it invests in financially healthy companies that tend to hold up well in turbulent markets. Indeed, the fund has captured just 89% of the Russell 1000 Value Index's losses in down markets since the Institutional share class' 2000 inception. That pattern has held relative to the large-value category, too. The fund's 3% gain in 2011's wayward market--a year in which its average peer lost 0.8%--illustrates its advantage in volatile markets. It also did better than nearly all peers during the bear market of the early 2000s. It wasn't as impressive in the 2007-09 financial crisis, though, as many firms cut their dividends, which weighed on returns.

While some funds that provide good downside protection struggle in the opposite environment, this fund has kept pace with the benchmark and peers in up markets over the long run. However, it won't lead in every market: It significantly lagged peers and the benchmark in 2009's low-quality rally and trailed to a smaller degree in 2010 and 2012.

The oldest Institutional share class has gained 7.6% annualized from its May 2000 inception through Feb. 25, one of the best records in the category and more than 2 percentage points ahead of the benchmark. The fund also receives high marks for consistency: Its rolling three-year returns since inception beat the benchmark and average peer

two thirds of the time.

### People Pillar: + Positive

The fund is subadvised by NFJ Investment Group, which was founded in 1989 and has 10 investment professionals. The firm employs a team-oriented approach, with each fund overseen by several managers. This approach should maintain stability in the event of future retirements or departures. NFJ co-founder Ben Fischer has served as lead manager since the fund's 2000 inception. He has more than 40 years of industry experience, previously serving as chief investment officer and portfolio manager at NationsBank and analyst at Chase Manhattan Bank and Clark, Dodge. Paul Magnuson joined the firm in 1992 after seven years at NationsBank. Tom Oliver, who previously worked at Perot Systems Corporation and Deloitte & Touche, joined in 2005. Burns McKinney arrived in 2006 after serving as a buy-side and sell-side analyst at various firms. Jeff Reed, a former credit analyst at Frost Bank, and Morley Campbell, a former analyst at Lazard Freres and Merrill Lynch, joined in 2007. Baxter Hines arrived in 2008, with previous experience at the Teachers Retirement System of Texas and Reuters.

All of the managers have invested in the fund, though none has invested more than \$1 million, the highest amount range reported in regulatory filings. Magnuson, McKinney, and Oliver each have invested \$100,000-\$500,000 in fund shares, with the other managers investing less. All have also invested in other NFJ funds they run.

### Parent Pillar: ○ Neutral

Allianz Global Investors has grown by acquisition since 1998, buying a handful of boutiques that operate independently and serve as subadvisors to more than 40 Allianz funds in the United States. (Allianz's PIMCO funds are excluded from this tally because they're distributed separately and receive a distinct Parent rating.) NFJ Investment Group runs much of the firm's U.S. assets and has a strong corporate culture. Its value- and dividend-focused approach has yielded good risk-adjusted performance. Elsewhere there are pockets of strength, including Allianz AGIC Convertible

and Allianz RCM Technology, but many funds have been middling or lack a long-term record.

In 2010, Allianz integrated back-office functions for three subadvisors and rebranded two (Nicholas Applegate Capital Management and Oppenheimer Capital) as Allianz Global Investors Capital, or AGIC. NFJ and RCM Capital Management kept their brand names. Allianz has trimmed its lineup in recent years, merging or liquidating unsuccessful funds and occasionally moving assets to different subadvisors. But some new funds seem trendy, including the Managed Volatility suite. Firmwide, fees are average, but many share classes have above-average or high expense ratios. Manager ownership of fund shares could be better. Allianz deserves credit for letting its subadvisors operate autonomously, but its Parent rating comes out at Neutral.

### Price Pillar: + Positive

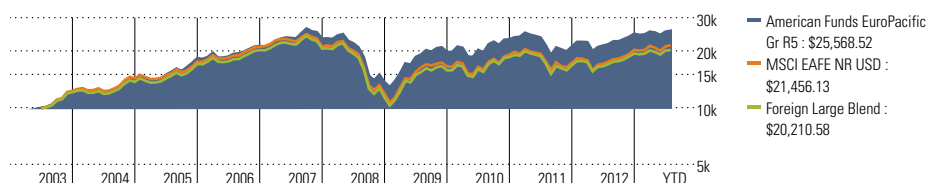
About half of the fund's assets fall in share classes priced below average relative to similarly distributed peers (Institutional, B, and C). The A shares, which cost 1.06% and consume about 20% of assets, are priced low relative to large-cap funds with front-end loads. The P and R shares score just average, while the Admin and D shares (which hold about 15% of assets) are priced above-average relative to similarly sold peers.



# American Funds EuroPacific Gr R5 RERFX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
44.28	↓0.00   0.00	1.88	109.9	Open	\$—	None	0.55%	★★★★	Foreign Large Blend	Large Growth

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks long-term growth of capital. The fund invests primarily in common stocks of issuers in Europe and the Pacific Basin that the investment adviser believes have the potential for growth. Growth stocks are stocks that the investment adviser believes have the potential for above-average capital appreciation. It normally invests at least 80% of net assets in securities of issuers in Europe and the Pacific Basin. The fund may invest a portion of its assets in common stocks and other securities of companies in countries with developing economies and/or markets.

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,766	10,041	11,705	13,110	12,412	25,658
Fund	7.66	0.41	17.05	9.45	4.42	9.88
+/- MSCI EAFE NR USD	-2.81	0.41	-2.95	-0.56	1.91	2.02
+/- Category	-0.62	0.17	-0.94	0.08	2.09	2.31
% Rank in Cat	64	45	62	54	14	8
# of Funds in Cat	822	852	792	699	615	319

\* Currency is displayed in USD

**Top Holdings** 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Novo Nordisk A/S	3.91	966.00 USD	-0.52 ↓	848.00 - 1,100.00
⊕ SOFTBANK Corp	3.35	— USD	-0.48 ↓	2,200.00 - 7,460.00
Novartis AG	2.31	68.50 USD	-1.44 ↓	55.20 - 73.75
⊕ Bayer AG	2.24	—	—	—
⊖ Samsung Electronics Co Ltd	1.96	— USD	0.31 ↑	1,180,000.00 - 1,584,000.00

% Assets in Top 5 Holdings 13.77

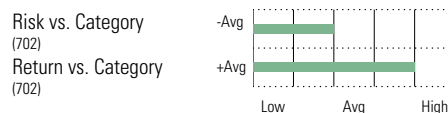
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 06-30-2013

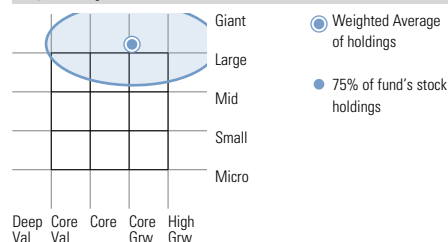
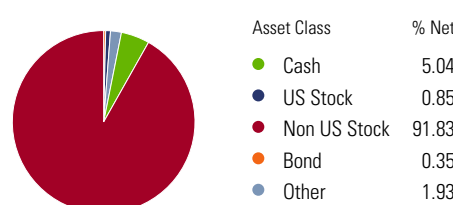
	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	17.77	17.77	16.67	20.88	■ Fund ▼ Cat Avg
Consumer Cyclical	14.86	14.86	11.25	12.28	
Technology	13.96	13.96	9.93	8.69	
Healthcare	13.83	13.83	11.46	10.13	
Consumer Defensive	10.47	11.90	10.47	11.96	

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2012-12-26	40.85	0.0000	0.0000	0.0000	0.8200	0.8200
2011-12-27	35.09	0.0000	0.0000	0.0000	0.7100	0.7100
2010-12-27	40.91	0.0000	0.0000	0.0000	0.6800	0.6800
2009-12-24	38.36	0.0000	0.0000	0.0000	0.7200	0.7200
2008-12-23	26.96	1.3900	0.0000	0.0000	0.9100	2.3000

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★ Gold

**Style Map**

**Asset Allocation**

**Management**

Christopher M. Thomsen  
 Start Date 2007-12-31

# American Funds EuroPacific Gr R5 RERFX

## Analysis

### This giant foreign-stock fund continues to deliver.

By Kathryn Spica, CFA 7/19/2013

American Funds EuroPacific Growth remains an attractive choice.

This has long been the largest foreign-stock fund (it has roughly \$105 billion in assets as of June 2013, down from its peak of nearly \$130 billion in October 2007) and it continues to manage its girth with aplomb. The fund follows American Funds' multimanager system, with 10 listed managers responsible for picking stocks within independent sleeves of the portfolio. The managers each bring their own investing style, helping to create a varied portfolio of roughly 300 stocks that is fairly well diversified across sectors.

A wide-ranging portfolio can be a headwind when the broader, global market sells off, but over time, the stock-picking skills of the managers have shown merit. The managers' access to American Funds' deep bench of global analysts contributes to the fund's strong results, as does their long-term investing horizon. Turnover is typically less than 40% and stock positions are often held for five years or more. Recently, Japanese telecom and top-five holding SOFTBANK has been a top-contributor to the fund's performance. While most of the stock's recent pop in price is due to its announced acquisition of U.S.-based Sprint, the company has been in the portfolio for several years: The stock first appeared in the portfolio in 2005 when it showed a strengthening presence in the e-commerce industry.

Over the long haul this fund's impressive track record gives further credit to the team's approach. Through June 2013, the fund's 9.6% and 6.7% annualized returns during the trailing 10- and 15-year periods, respectively, rank in its foreign large-blend category's top decile. Despite having an above-average stake in the often more turbulent emerging markets, the fund has had a lower level of volatility, as measured by standard deviation, than its typical peer, boosting the fund's risk-adjusted results.

An inexpensive price tag further increases the fund's appeal, and its relatively low level of

turnover also helps to keep costs down. Both should continue to provide the fund with useful tailwinds.

### Process Pillar: Positive

This fund is easily the largest foreign-stock fund by total assets, but the fund is like that rare conglomerate that facilitates, rather than curtails, prudent risk-taking. American's multimanager approach allows comanagers to run each of their portfolios independently. While each manager employs his or her own philosophy, that style does not become a mandate that must then be fulfilled. As a result, managers are free to broadly pursue opportunities where they find them.

While the individual managers are free to apply their own investment philosophy, high turnover is the one practice that's expressly forbidden. Turnover is usually under 40% and positions are often held for five years or more. This long-term emphasis is an advantage for the fund, as it allows the managers to buy stocks that may take several years to work out, versus many managers who limit themselves to stocks that have a near-term catalyst. In addition, a low level of turnover can help to keep trading costs in check.

American's managers have this freedom, in part, because their compensation is based upon a weighted one-, four-, and eight-year rolling average, with greater emphasis on the four- and eight-year periods. This is a far longer time horizon than is afforded most managers, many of whom look no further than three years out.

This fund limits volatility by maintaining an ultradiversified portfolio. With roughly 300 stocks in the portfolio, the fund has little security-specific risk. But that level of diversification means that there are few parts of the market that the fund doesn't touch. This can be an issue when there is a broad market correction.


Cash is typically 5%-10% of assets, but it has risen to 15% or so during periods of market stress or when the managers are not finding good values. However, this fund is not in any way timid. It often has one of the foreign large-blend category's

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	7.66	-0.62
2012	19.57	1.28
2011	-13.33	0.63
2010	9.72	-0.52
2009	39.55	8.30

### Analyst Favorites by Category

	YTD Return %
American Funds EuroPacific Gr A	7.42
American Funds Intl Gr And Inc 529A	7.05
Artisan International Value Investor	18.07
Causeway International Value Instl	12.46
Dodge & Cox International Stock	11.72
Harbor International Instl	8.11
Litman Gregory Masters Intl Instl	12.32
Manning & Napier World Opportunities A	9.29
Oakmark International I	20.45
Vanguard Developed Markets Index Inv	10.15
Vanguard Tax-Managed Intl Adm	10.42
Vanguard Total Intl Stock Index Inv	4.67
Foreign Large Blend	8.27



# American Funds EuroPacific Gr R5 RERFX

## Analysis

largest emerging-markets stakes: At 17% of assets as of March 2013 the fund's exposure to emerging markets is more than twice the group norm.

With more than \$105 billion in assets as of June 2013, the fund is easily the largest foreign-stock offering. As assets have grown, so has the fund's average market cap. It has more than doubled since 2003 and is now just above the category average. Still, some potential pitfalls of such girth have been avoided. For example, the fund hasn't become a mirror of its MSCI All Country World ex U.S. Index, and it maintains a distinct portfolio compared to its benchmark. The fund also invests in roughly the same number of stocks today as it has throughout the past decade, suggesting the managers are not being forced to stretch to their lower conviction ideas to fill the portfolio.

### Performance Pillar: + Positive

This fund's solid long-term results support its case as a top-pick among foreign-stock funds. Its 10- and 15-year returns land in the foreign large-blend category's top decile through June 2013, although the fund has beaten the MSCI AC World ex-U.S. Index by a less than 1 percentage point over the past 10 years. The fund's calendar-year rankings have also been fairly consistent.

Yet it has achieved this without taking on exorbitant risk. Although the fund has long maintained above-average positions in emerging markets, it has consistently been less volatile than the index and its typical peer. The fund has typically performed relatively well during bear markets, as it did in 2001-02 and 2008. It's worth noting, though, that in both cases the fund had built cash and bonds to more than 10% of assets combined. Without a similar buffer, the fund did not fare quite as well in relative terms during the correction in 2011's third quarter, when its results were more middling.

The fund's large-cap bias has not hurt its results over the past 10 years. That's particularly impressive considering that small and mid-caps have generally outperformed large caps during that time. The fund has been helped, though, by its consist-

ently heavy position in emerging-markets stocks, which have broadly beaten developed-markets issues during that period.

### People Pillar: + Positive

The American Funds have been investing successfully overseas for years and that continues with this fund, the firm's foreign-stock flagship. The fund's success owes to a talented management team, as well as analysts based around the world. The fund employs American's multimanager approach, with each of the 10 listed managers independently running a sleeve of the portfolio.

As with other American offerings, continuity is a hallmark here. The fund's 13-year average manager tenure--the team has an even longer 29-year average tenure at the firm--is more than double the average tenure across the foreign large-blend category. Six of the comanagers have been on the fund for more than a decade. The fund's newest additions, Andrew Suzman and Christopher Thomson, joined at year-end 2007. Stephen Bepler, who has been a comanager since the fund's 1984 inception, is 70 years old and may retire within several years. Yet, his potential departure is not a cause for concern. American has a long history of discovering and developing talent internally.

In addition, the managers show their dedication to this strategy with their own assets. Every manager invests at least \$100,000 of their personal wealth in the fund, with four managers investing more than \$1 million, helping to align the managers' interests with shareholders'.

### Parent Pillar: + Positive

The deep roots of American Funds' more than 80 years of investing success are many and intertwined, though for the most part, they can be traced to a few sources: the firm's trademark multimanager system; a stable and long-tenured team of investment professionals; and an incentive system that allows those professionals to take the long-term view in an increasingly myopic market. Combined, American and its parent company, Capital Group, have leveraged those characteristics to impressive results, particularly on the equity side of their business, where the vast majority of Amer-

ican's assets under management reside.

The firm's fixed-income efforts haven't always enjoyed the same level of performance success. American continues to search for ways to adapt its multimanager process to the bond markets, and while there are signs that the firm remains several years behind its similarly resourced peers, recent high-level, outside hires bring with them the possibility that it will not take as long to catch up with the competition.

Other aspects of the business have been changing too, including new product launches and adjustments to the firm's organization. Overall, though, combined with the firm's unique manager incentives and peer-beating fees, American Funds remains a model steward of investor assets.

### Price Pillar: + Positive

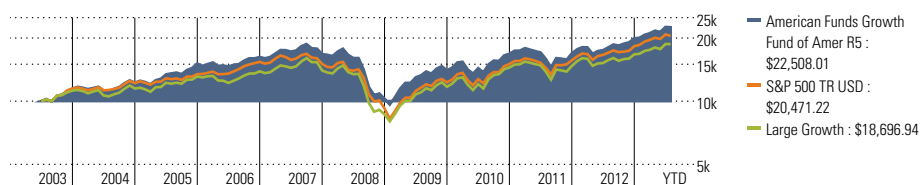
The expense ratio on the fund's A shares is the foreign large-cap category's cheapest among actively managed and similarly distributed peers. All other share classes are also priced below the median of their similarly distributed competitors. As the largest foreign-stock fund, it's admirable to see fund shareholders share in the benefits of economies of scale that the fund enjoys.

# American Funds Growth Fund of Amer R5 RGAFX

Morningstar Analyst Rating  
Bronze

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
40.49	↓0.00   0.00	0.94	126.1	Open	\$—	None	0.39%	★★★★	Large Growth	Large Growth

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks growth of capital. The fund invests primarily in common stocks and seeks to invest in companies that appear to offer superior opportunities for growth of capital. It may invest a portion of its assets in securities of issuers domiciled outside the United States. The investment adviser uses a system of multiple portfolio counselors in managing the fund's assets. Under this approach, the portfolio of the fund is divided into segments managed by individual counselors who decide how their respective segments will be invested.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,805	9,934	12,432	16,429	14,089	22,477
Fund	18.05	-0.66	24.32	18.00	7.10	8.44
+/- S&P 500 TR USD	0.25	1.18	4.27	-1.06	-0.72	1.04
+/- Category	0.80	-0.39	5.26	0.11	-0.07	1.24
% Rank in Cat	34	65	13	49	50	20
# of Funds in Cat	1,721	1,767	1,684	1,482	1,303	881

\* Currency is displayed in USD

## Top Holdings 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
Amazon.com Inc	3.83	280.93 USD	-1.85 ↓	218.18 - 313.62
Gilead Sciences Inc	3.80	58.74 USD	-2.78 ↓	39.21 - 79.37
Google, Inc. Class A	3.62	850.15 USD	-1.87 ↓	636.00 - 928.00
Home Depot, Inc.	2.72	74.12 USD	-1.74 ↓	56.20 - 81.56
SOFTBANK Corp	1.83	— USD	-0.48 ↓	2,200.00 - 7,460.00
% Assets in Top 5 Holdings	15.79			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

## Top Sectors 06-30-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	18.50	20.72	17.02	22.95
Consumer Cyclical	18.44	18.44	14.07	18.11
Healthcare	18.30	18.30	12.80	15.70
Energy	11.59	11.66	11.59	6.03
Industrials	9.01	12.24	9.01	11.42

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2012-12-19	34.45	0.0000	0.0000	0.0000	0.3800	0.3800
2011-12-20	28.41	0.0000	0.0000	0.0000	0.3100	0.3100
2010-12-21	30.29	0.0000	0.0000	0.0000	0.3300	0.3300
2009-12-21	27.10	0.0000	0.0000	0.0000	0.2900	0.2900
2008-12-22	19.77	0.0000	0.0000	0.0000	0.3300	0.3300

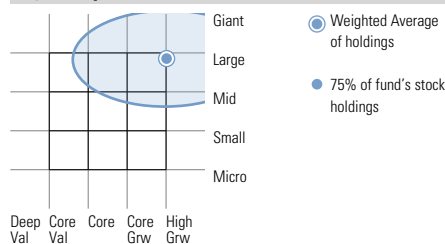
## 3 Year Average Morningstar Risk Measures



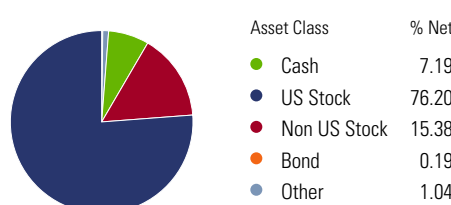
## Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Bronze

## Style Map



## Asset Allocation



## Management

Carl M. Kawaja  
Start Date 2010-12-31

# American Funds Growth Fund of Amer R5 RGAFX

## Analysis

### This large-growth leviathan can still deliver over time.

By Flynn Murphy 7/17/2013

A proficient team gives American Funds Growth Fund of America an edge.

Eleven managers run sleeves of the fund, drawing on American's experienced analysts to pick stocks (the analysts also run a sleeve). The managers take different approaches, buying traditional growth fare, cyclical names, and firms beset by troubles the managers deem temporary.

Four veteran managers have stepped down from this fund since 2011, including James Dunton, who retired in June 2013 after 28 years. But the team is well prepared for turnover. The firm has a solid track record of grooming analysts to step into manager roles. Plus, the remaining managers average 11 years at the fund, making them a more experienced bunch than the typical large-growth manager.

That experience has translated into positive risk-adjusted returns. The fund's 7.8% annualized return in the trailing 11 years through June 2013 beats the Russell 1000 Growth Index's 7% and the category's 5.9% return. The fund has also outpaced both the bogy and the category since the 1988 start date of its longest-tenured manager, James Rothenberg. Those returns came with a smoother ride: The fund typically gained about as much as its benchmark and peers in rising markets but held up better in bear markets.

Strong performance drew heavy investor inflows in the mid-2000s, which has raised some concerns. Its assets peaked in 2007, but it still stands as the biggest large-growth offering with roughly \$120 billion in assets. That's nearly 4 times its size in mid-2002. With so many assets in tow, the fund's managers have struggled to distinguish the fund from its Russell 1000 Growth benchmark. The fund's active share--a measure of the portfolio's divergence from the bogy--dropped to 65% in 2013 from 75% in 2002. Other correlation metrics, such as tracking error and R-squared, also show the fund's returns have looked increasingly like its benchmark since 2002.

The fund's size may make it harder to outperform peers and the index, but capable management, low volatility, and a cheap price tag still work in its favor.

#### Process Pillar: Positive

The fund's 11 managers follow a flexible-growth strategy. Because the managers run their portfolios independently, there is a fair amount of variety within the fund, including traditional growth stocks, fallen angels, and cyclical names.

The fund's large asset base has made it more difficult for the fund to distinguish itself from the Russell 1000 Growth Index. In the trailing five years through June, the fund had one of the large-growth category's higher R-squareds, indicating a high correlation relative to the benchmark. Plus, its size makes it difficult for the fund to invest meaningfully in mid- and small-cap stocks, which soaked up as much as 25% of assets in the late 1990s and early 2000s, when the fund was considerably smaller.

Still, the managers have differentiated the fund with its international stake. The fund had 15% of assets in foreign stocks as of March 2013, which was more than double the large-growth category average. The fund's international holdings tend to be firms with global sales and established competitive advantages.

Turnover has averaged roughly 25% during the past decade, with the managers often holding on to positions for five years or more. This long-term emphasis is an advantage, giving the managers time to let their investment theses develop rather than racking up transaction costs with many short-term trades.


The fund holds a diverse portfolio of 270 stocks spread across market sectors, which has helped limit volatility over time. The managers' willingness to hold cash and bond stakes when equity opportunities are scarce has created a protective buffer in down markets. Cash is typically 5%-10% of assets but has risen to roughly 15% during periods of market stress.

### Morningstar's Take

Morningstar Analyst Rating



#### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

#### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold	 Silver	 Bronze	Neutral	Negative
------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------	---------	----------

### Fund Performance

	Total Return %	+/- Category
YTD	18.05	0.80
2012	20.92	5.58
2011	-4.59	-2.13
2010	12.63	-2.90
2009	34.91	-0.78

#### Analyst Favorites by Category

	YTD Return %
American Funds AMCAP A	21.05
American Funds New Economy A	22.79
Harbor Capital Appreciation Instl	17.17
Jensen Quality Growth J	16.41
Manning & Napier Equity	19.02
Morgan Stanley Focus Growth B	22.67
Morgan Stanley Institutional Growth I	23.27
PRIMECAP Odyssey Growth	28.32
Sequoia	17.95
Vanguard Capital Opportunity Inv	28.26
Vanguard PRIMECAP Core Inv	22.37
Vanguard PRIMECAP Inv	22.79
Large Growth	17.24

# American Funds Growth Fund of Amer R5 RGAFX

## Analysis

While the fund is well-diversified, it still distinguishes itself from the benchmark and category in some ways. The fund has an above-average stake in energy stocks, including international oil and gas firms such as Canadian Natural Resources CNQ and Petrobras PBR. The fund also has a higher weighting in health care, driven by a hefty slice of biotechnology firms. That includes a large position in Gilead Sciences GILD, which provides HIV therapies, and smaller allocations to mid-cap firms including Biomarin Pharmaceutical BMRN, which focuses on rare disease treatments.

With about \$120 billion in assets, the fund is easily the industry's biggest large-growth offering. Assets are down from their peak of \$202 billion in 2007, but the fund's girth still limits its flexibility. It is difficult for the managers to invest significantly in mid-cap stocks, which currently stand at 15% of assets, about 5 percentage points less than the category average.

### Performance Pillar: + Positive

Subpar stock-picking hurt this fund as it lagged its average large-growth peer and the Russell 1000 Growth benchmark during the five years through June. Above-average stakes in global materials and energy firms weighed on the fund's performance. Domestic steel titan U.S. Steel X, Canadian crude oil producer Suncor Energy SU, and global oil-services giant Schlumberger SLB were among the fund's biggest detractors, according to Morningstar attribution.

But over longer periods, this fund has delivered strong risk-adjusted returns versus peers and the benchmark. Since longest-tenured manager James Rothenberg's 1988 start, the fund has outperformed its typical category peer and the benchmark by gaining about as much as both in rising markets but losing less during market declines. The same pattern holds true during the trailing 11 years (the average manager's tenure here): The fund outperformed peers and the benchmark while suffering less in market declines.

The fund's downside protection fuels its below-average Morningstar Risk rating during the trailing

three-, five-, and 10-year periods through June. The fund did lose more than peers during 2011's volatile third quarter (partly because of a historically low cash stake and its slug of foreign stocks), but over time it has held up better than its typical peer, including during the 2000-02 and 2008 bear markets.

### People Pillar: + Positive

This fund remains in experienced hands, even as some veteran managers have retired in recent years. Two of the fund's longest-tenured managers, Michael Shanahan and Gordon Crawford, left the fund near the end of 2010 and 2012, respectively. James Drasdo, who had managed the fund since 1985, retired in June 2013.

However, these departures shouldn't impair the fund's long-term success. While there are a few opaque aspects to the firm's multimanager system (funds can have unlisted managers who each run up to 5% of assets), it generally makes for smooth transitions on the relatively rare occasions when managers come and go. The funds' 11 remaining managers average more than a decade of experience with the fund.

American has also done an excellent job of developing investment talent through the years. A team of more than 30 analysts contribute to the portfolio's research sleeve. The firm methodically moves experienced analysts into manager roles.

Besides its success in fostering and retaining talent, American has also done a good job aligning managers' interests with shareholders'. The firm ties compensation to long-term performance, including trailing four- and eight-year periods. This allows American's managers to take a patient, long-term view with holdings. Also, all managers have at least \$500,000 invested in the fund, with six investing more than \$1 million.

### Parent Pillar: + Positive

On most counts, Capital Research & Management, the parent of American Funds, remains a leader in stewardship practices. While it's hard to associate a particular investment style with the firm, its offerings are united by a unique structure.

American employs a multiple-manager system in which a handful to a dozen portfolio managers run independent sleeves of each fund's portfolio. Most offerings also have an analyst portfolio that typically accounts for 20% to 30% of assets.

That structure, along with the firm's notably long-term approach to compensation, have been keys to creating its successful investment culture and low personnel turnover. The firm pays bonuses based on one-, four-, and eight-year results. That emphasis on long-term performance allows American's managers to comfortably make investments that others might bypass. Because this long horizon isn't common in the industry, it is a true competitive advantage. The managers' often-significant investments alongside shareholders are another plus.

American's approach has produced strong risk-adjusted returns for its equity funds, though its fixed-income offerings have been a mixed bag. American's success also has led to a degree of asset bloat. To be sure, the multimanager system and the managers' buy-and-hold ethic allow the firm to run large asset bases, but they still bear monitoring.

### Price Pillar: + Positive

Half of the fund's assets reside in its A shares, which levy a 0.71% annual fee and are cheaper than 97% of large-cap, front-load peers. The fund's A shares are also cheaper than the median large-cap, no-load fund. That's partly a result of its relatively low 0.28% management fee. The fund's expense ratio is also reasonable compared with other actively managed funds with large asset bases.

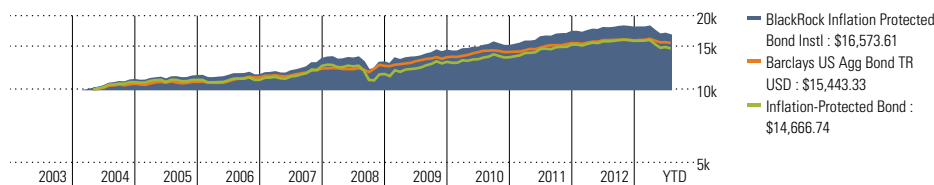
Eight of the fund's remaining 10 share classes are less expensive than similarly sold peers, providing a built-in competitive advantage. The other two are priced average relative to peers. The fund's brokerage commission fees as a percentage of net assets also fall well below the category average. Overall, this fund gives shareholders a fair deal.

# BlackRock Inflation Protected Bond Instl BPRIX

Morningstar Analyst Rating  
**Bronze**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
11.07	↓0.03   0.27	1.15	3.6	Open	\$2	None	0.43%	★★★★★	Inflation-Protected Bond	Large Growth Bond

## Growth of 10,000 06-28-2004 - 08-26-2013



## Investment Strategy

The investment seeks to maximize real return, consistent with preservation of real capital and prudent investment management. The fund invests at least 80% of assets in inflation-indexed bonds of varying maturities issued by the U.S. and non-U.S. governments, their agencies or instrumentalities, and U.S. and non-U.S. corporations. It may invest up to 20% of its assets in non-investment grade bonds or securities of emerging market issuers. The fund maintains an average portfolio duration that is within ±20% of the duration of the Barclays Global Real: U.S. TIPS Index. It is non-diversified.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,242	9,882	9,416	11,059	12,319	—
Fund	-7.58	-1.18	-5.84	3.41	4.26	—
+/- Barclays US Agg Bond TR USD	-4.50	-0.30	-3.59	0.92	-0.63	—
+/- Category	-0.10	-0.07	0.17	0.53	0.92	—
% Rank in Cat	27	45	27	17	13	—
# of Funds in Cat	211	217	203	180	145	40

\* Currency is displayed in USD

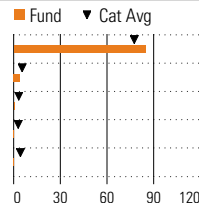
## Top Holdings 07-31-2013

	Weight %	Maturity Date	Amount Mil	Value Mil
⊖ US Treasury Note	12.75	04-15-2016	470.29	485.01
⊕ US Treasury Note	7.77	04-15-2018	285.86	295.39
⊕ US Treasury Note 0.5%	6.98	04-15-2015	257.91	265.50
⊖ US Treasury Bond 2.375%	5.51	01-15-2025	174.72	209.68
✱ US Treasury Note	5.41	07-15-2023	205.98	205.60
% Assets in Top 5 Holdings	38.42			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

## Top Sectors 07-31-2013

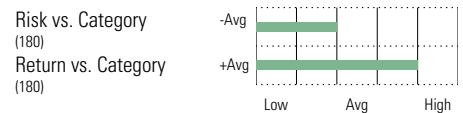
	Fund	BMark	Cat Avg
U.S. Treasury Inflation-Protected	84.66	—	74.95
Non U.S. Treasury	3.97	—	2.86
Non-Agency Residential MBS	0.51	—	0.71
Commercial MBS	0.30	—	0.34
Non U.S. Inflation-Protected	0.01	—	1.76



## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-07-31	11.26	0.0000	0.0000	0.0000	0.0000	0.0000
2013-06-28	11.17	0.0000	0.0000	0.0000	0.0000	0.0000
2013-05-31	11.57	0.0000	0.0000	0.0000	0.0400	0.0400
2013-04-30	12.09	0.0000	0.0000	0.0000	0.0200	0.0200
2013-03-28	12.01	0.0000	0.0000	0.0000	0.0000	0.0000

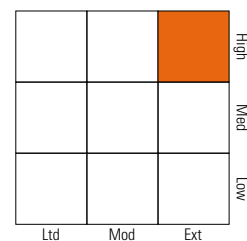
## 3 Year Average Morningstar Risk Measures



## Pillars

Process	⊕ Positive
Performance	⊖ Neutral
People	⊕ Positive
Parent	⊖ Neutral
Price	⊖ Neutral
Rating	<b>Bronze</b>

## Style Map 06-30-2013



## Bond Statistics

	Value
Average Effective Duration (Years)	8.03
Average Effective Maturity (Years)	9.65
Average Credit Quality	AA
Average Weighted Coupon	1.31
Average Weighted Price	110.89

## Asset Allocation

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	-6.20	18.77	12.57	—	6.08
US Stock	0.00	0.00	0.00	—	0.83
Non US Stock	0.00	0.00	0.00	—	0.85
Bond	106.14	0.40	106.54	—	91.72
Other	0.07	0.23	0.29	—	0.52

## Management

	Start Date
Martin Hegarty	2010-07-16



# BlackRock Inflation Protected Bond Instl BPRIX

## Analysis

### Edging out its peers with less volatility.

By Eric Jacobson 3/14/2013

BlackRock Inflation Protected Bond finds just enough gas to put it in the winner's circle.

Comanagers Brian Weinstein and Martin Hegarty think of this as a relatively pure play on the inflation-protected Treasury bond market. That stands in some contrast to peers who take on various kinds of credit risk, in particular.

That distinction is not quite the same as being plain vanilla. For one, the managers occasionally sprinkle the portfolio with other U.S. and foreign government obligations. Of late, they have been sour on the intermediate portion of the curve and have instead added real-rate exposure in Germany and Italy, together about 5% of the portfolio. Also, they expect the euro to weaken and are shorting that currency as a hedge against their Italy position, in particular.

In addition to yield-curve plays, the managers bet on the relationships of yields and break-even rates between the Treasury Inflation-Protected Securities and conventional Treasury markets. In 2011, these efforts fell flat when the market foiled a curve-flattening trade, and the fund reversed its play at the wrong time. Such plays did pay off during 2012, though, as the fund managed its exposures relative to the market well over most of the year. As of early 2013, the team was shorting real-rate exposure in the short- and intermediate portions of the yield curve, while taking positive exposure to real rates in the 30-year range (and hedging out much of the fund's conventional Treasury risk at that maturity).

Those efforts have worked well overall. In fact, 2011 was the only year in which the fund's returns dipped into the middle of the category, and its record back to its June 2004 inception is good. The portfolio posted a 6.8% annualized gain over that stretch, beating the Barclays U.S. TIPS Index and all but a few rivals. Given the fund's forays out of the U.S. and into currency plays, in particular, though, its record of modest volatility is even more impressive. The fund's standard deviation since inception is among the lowest in a group of 24 offer-

ings with a record that long.

**Process Pillar:**  Positive

Managers Brian Weinstein and Martin Hegarty look to keep this fund a nearly pure play on inflation-linked bonds by generally avoiding spread sectors and credit risk. That said, they do make active bets, not only on the market for real (inflation-linked) rates but also on the conventional Treasury market--and the relationships between the two. They use a variety of tools to make those bets, including options strategies. Overall, their intent is to use macro-themed strategies for the majority of the portfolio's "risk budget" (and thus return drivers) and to supplement those with security selection and tactical trading around market-technical events.

The fund also takes active currency positions. Weinstein and Hegarty don't want those to have too much influence on the fund's performance, but expect these stakes to contribute 20% to 25% of the fund's excess returns. The team has also been known to dabble in other markets, including small stakes in Italy and Greece, for example, when valuations have looked particularly compelling.

The team's investment process benefits from the input of BlackRock's global team of sector specialists and portfolio teams. This includes exposure to a variety of periodic market-outlook and strategy meetings, as well as weekly meetings with speakers determined to challenge the team's outlook.

At any given time this portfolio implements different macro themes by adjusting its allocations across the TIPS spectrum. It employs a variety in instruments (such as futures and options) to take advantage of differences between real and nominal interest-rate curves or the term structure of either curve, for example.



During the first half of 2012, comanagers Weinstein and Hegarty expected that the break-even rate between TIPS and conventional Treasuries would widen and kept the fund's duration short of its benchmark, the Barclays Global Real: US TIPS Index, which helped during the first quarter. The team felt that the Fed's quantitative-easing ef-

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Neutral
People	 Positive
Parent	 Neutral
Price	 Neutral

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	-7.58	-0.10
2012	6.94	0.49
2011	11.88	0.95
2010	6.23	0.29
2009	10.42	-0.46

### Analyst Favorites by Category

	YTD Return %
Harbor Real Return Instl	-8.97
PIMCO Real Return A	-8.93
Vanguard Inflation-Protected Secs Inv	-8.20
Inflation-Protected Bond	-7.48

# BlackRock Inflation Protected Bond Instl BPRIX

## Analysis

forts had really distorted the prices of intermediate rates, in particular, driving them to unreasonable lows. By contrast, they viewed real yields at the longer end of the curve as structurally undervalued, and they placed bets there.

The team, meanwhile, has had a long-term hypothesis that Japanese real rates were due to compress, thanks to policies undertaken by the country's central bank. Poor liquidity in inflation-protected Japanese bonds put them off, but a strong correlation between real-rate valuations and currencies otherwise convinced them that a short position on the yen would make for a suitable substitute to express their views. They began that trade around the end of first-quarter 2012 and maintained it until early 2013.

### Performance Pillar: ● Neutral

If there's been a low point in the fund's performance history, it would be 2011, though that year wasn't really bad, with an 11.9% return for the fund's Institutional shares that placed around the middle of the inflation-protected bond category. Comanager Martin Hegarty has noted that shifts in the fund's duration and yield-curve exposure over the course of the year worked at cross purposes with the market. Those decisions did leave the fund trailing the Barclays U.S. TIPS Index by roughly 200 basis points for the year.

The past year has been much better. Yields spiked in early 2012 and that gave the fund a leg up. By the second half of the year the team was favoring real yields in the long end of the TIPS curve--an area it considered structurally undervalued--and that paid off. A decision to short the Japanese yen (as a substitute for real rate exposure in that market) also helped the fund. It ended the year with a category- and index-beating 6.9% gain.

The fund's overall record reflects a longer stretch of success. It did especially well in the mid-2000s, and the fund's returns since its 2004 inception clock in at an annualized 6.8%, which outpaces both the Barclays U.S. TIPS Index and all but a few category rivals. Perhaps even more important, the fund's volatility registers among the lowest in the category over this fund's lifespan.

### People Pillar: ● Positive

Lead manager Brian Weinstein joined the fund in January 2005, shortly after its mid-2004 launch. Weinstein had comanaged BlackRock International Bond BIIAX and is head of the firm's institutional multisector-bond portfolios. He's also the co-head of BlackRock's inflation-linked strategies. Weinstein's experience predates his time on this portfolio. He joined BlackRock in 2000 as an analyst in the firm's Portfolio Analytics Group, became a portfolio manager in 2002, and spent a year in London leading integration efforts for the firm's portfolio management group with what was then Merrill Lynch Investment Managers.

Martin Hegarty became comanager of the fund in 2010, and he has been co-head of BlackRock's global inflation-linked portfolios since that time. Prior to joining the firm, he was a TIPS market maker within the Global Rates and Currencies Group at Bank of America since 2003. He held an associate role in a similar group at Merrill Lynch in London before that, acting as a market maker in European, Scandinavian, and U.K. inflation-linked bonds.

Weinstein and Hegarty draw on BlackRock's taxable fixed-income teams and the firm's deep risk-management operation. That includes a Global Rates team that numbers 36 people, as well as the firm's Risk & Quantitative Analysis Group, which helps monitor diversification of risks and consistency across portfolios.

### Parent Pillar: ● Neutral

BlackRock has had a tough time making its mammoth size pay off for its mutual fund shareholders. Mutual funds remain a small part of the firm's \$3.7 trillion in assets under management, and much of its heft is from acquisitions and not from organic growth arising out of an established investment culture. Its mutual fund assets mostly have gravitated to a handful of first-rate managers.

To be sure, BlackRock is a standout when it comes to risk management. The firm is renowned for its cutting-edge risk analytics, and its models are used to set risk parameters that all managers must follow. This enabled most of its equity funds to

avoid the worst of 2008's market meltdown (less so for the bond funds).

Also, BlackRock has consolidated its fund lineup, and expense ratios have come down. BlackRock has stepped up global coordination, as well, so the firm can better translate its vast resources into an investment edge.

Still, the equity funds' multiboutique model has produced mixed results. Meanwhile, there has been significant turnover in its fixed-income leadership. Returns for its bond funds have been middling overall, though more-recent returns are showing promise thanks to strong hires. Managers' fund ownership is reasonable but not exceptional, and there's still room for fund fees to come down. Time will tell whether BlackRock can build on its recent success.

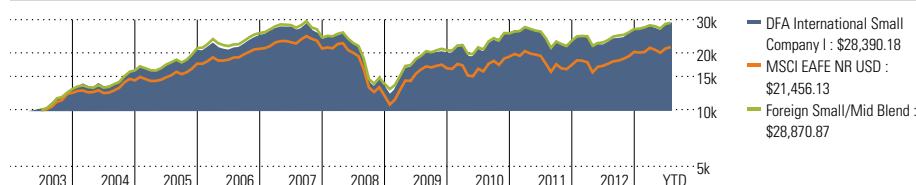
### Price Pillar: ● Neutral

Beyond small chunks of assets in the fund's other share classes (including roughly \$735 million in C shares), the fund's largest allocations are in its institutional and A shares, each of which hold a bit more than 35% of the take. Investors in those classes get a reasonable deal with their expense ratios clocking in at average (0.43%) and below average (0.76%), respectively.

# DFA International Small Company I DFISX

**Morningstar Analyst Rating**  
 Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
17.59	↓-0.24   -1.35	2.31	7.8	Open	\$—	None	0.56%	★★★	Foreign Small/Mid Blend	Large Growth Blend

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks long-term capital appreciation. The fund pursues its objective by investing substantially all of its assets in The Canadian Small Company Series, The Japanese Small Company Series, The Asia Pacific Small Company Series, The United Kingdom Small Company Series and The Continental Small Company Series (the "International Small Company Master Funds") of The DFA Investment Trust Company (the "Trust").

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,345	10,212	12,509	14,300	13,595	28,478
Fund	13.45	2.12	25.09	12.66	6.34	11.03
+/- MSCI EAFE NR USD	2.98	2.12	5.09	2.66	3.83	3.17
+/- Category	0.55	1.12	1.07	-0.26	-0.61	0.04
% Rank in Cat	57	16	49	55	60	32
# of Funds in Cat	74	78	69	61	49	26

\* Currency is displayed in USD

**Top Holdings** 05-31-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ William Hill PLC	0.36	—	—	289.60 - 842.41
⊕ Persimmon PLC	0.36	—	—	690.00 - 1,321.00
⊕ Ashtead Group PLC	0.32	—	—	269.10 - 736.46
⊕ Taylor Wimpey PLC	0.31	—	—	49.68 - 115.50
⊕ Travis Perkins PLC	0.31	—	—	1,009.00 - 1,729.29
% Assets in Top 5 Holdings	1.66			

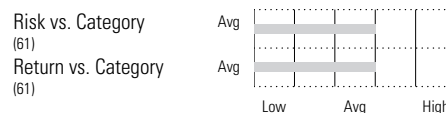
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 05-31-2013

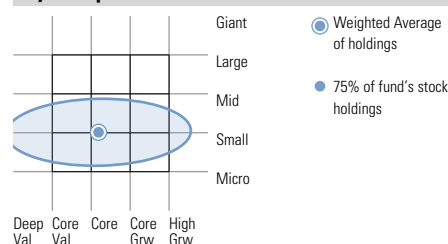
	Fund	3 Yr High	3 Yr Low	Cat Avg
🏭 Industrials	23.47	23.47	22.39	23.15
🛒 Consumer Cyclical	21.36	21.36	17.83	19.46
🏦 Financial Services	11.86	11.86	10.36	10.61
🏠 Basic Materials	10.23	14.48	10.23	9.79
💻 Technology	9.57	9.57	8.80	9.90

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-06-10	16.80	0.0000	0.0000	0.0000	0.2300	0.2300
2013-03-08	16.75	0.0000	0.0000	0.0000	0.0000	0.0000
2012-12-13	15.47	0.0900	0.0000	0.0000	0.1400	0.2300
2012-09-10	14.94	0.0000	0.0000	0.0000	0.0400	0.0400
2012-06-08	13.73	0.0000	0.0000	0.0000	0.1900	0.1900

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Silver

**Style Map**

**Asset Allocation**

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	0.58	0.00	0.58	0.01	4.02
● US Stock	0.05	0.00	0.05	0.00	1.12
● Non US Stock	90.02	0.00	90.02	99.91	92.38
● Bond	0.00	0.00	0.00	0.00	0.81
● Other	9.35	0.03	9.39	0.08	1.68

**Management**

Jed S. Fogdall  
 Start Date: 2010-02-28



# DFA International Small Company I DFISX

## Analysis

### This passively managed international small-cap fund benefits from DFA's trading expertise.

By Abby Woodham 6/5/2013

Instead of tracking an index like most passive strategies, DFA International Small Company's portfolio is rules-based but adds trading discretion. Because DFA believes that markets are efficient, the fund's managers do not attempt to pick stocks or time the market. The fund buys a diversified portfolio of more than 4,500 small-cap stocks from international developed markets. Although the fund is almost perfectly correlated with its benchmark, its flexibility in buying and selling securities historically has resulted in slight outperformance with less volatility. This fund is a solid choice for international small-cap exposure.

An ordinary passively managed fund must buy and sell securities when its index changes, but DFA tries to generate alpha through its flexible trading strategy. With its direct market access and proprietary algorithms, DFA's traders are able to opportunistically add or remove securities from the portfolio depending on market conditions and the supply and demand of securities. This trading strategy has added value historically, as the fund slightly outperformed its benchmark over the three-, five-, and 10-year trailing periods even after its (low) fees. Small-cap stocks also offer some diversification benefits, as the fund is slightly less correlated with U.S. equities than the large-cap MSCI EAFE Index.

This fund aims to give investors pure exposure to the small-blend area of the Morningstar Style Box. The small-cap strategy is rooted in academic research that shows that excess return can come from exploiting risk factors. One of those risk factors is size, as small-cap stocks may offer superior return over long time horizons compared with large-cap stocks. During the past 50 years, the average annual return of international small caps bested large and midsize companies. The degree of outperformance varies depending on the start and finish points, and during some business cycles small-cap stocks did underperform. Smaller companies generally offer higher return in exchange for more volatility than the broad market

over time, so this fund is most suitable for long-term investors with high risk tolerance.

### Process Pillar: Positive

This mutual fund's mandate is capital appreciation by capturing the broad performance of the small-cap segment of the market. It is structured as a fund of funds, investing in five master funds of small-cap stocks from five developed regions: Canada, Japan, the United Kingdom, continental Europe, and Asia-Pacific. Each regional fund selects from the bottom 10%-15% of the market, with a minimum market cap of \$50 million. The fund's managers have discretion in modifying constituents and their weights after considering liquidity, profitability, and other factors.

Trading small-cap stocks can be difficult, especially when transactions are determined by an index. Most small-company funds implement a market-cap floor of \$100 million because micro-cap stocks are illiquid. But thanks to its flexible trading strategy and its role as a liquidity provider, DFA is able to more efficiently access the micro-cap market. The fund includes about 5%-10% more micro-cap stocks (mainly from Japan and the U.K.) than the competition. Because the fund is allowed to invest in stocks with a particularly low minimum market cap, its weighted average market cap of \$1.7 billion is lower than the category average of about \$4.9 billion.

The fund generally holds securities for more than five years, which in addition to the fund's flexible trading, helps keep turnover (14% in 2012, compared with the category average's 65%) and costs low.

The fund's sector and regional holdings have not changed meaningfully over the past 10 years, other than the gradual inclusion of Canadian stocks in 2007. Canadian and Japanese companies each make up about 20% of the portfolio. Like other small-cap funds, this fund is concentrated in the industrial and consumer discretionary sectors and light on financials.


The fund does not hedge its currency exposure. Cash is kept at less than 1% of the fund's assets,

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	13.45	0.55
2012	18.86	-0.13
2011	-15.35	-0.94
2010	23.91	2.90
2009	41.96	-0.83

### Analyst Favorites by Category

	YTD Return %
Foreign Small/Mid Blend	12.90

# DFA International Small Company I DFISX

## Analysis

and futures contracts are occasionally used to hedge against large inflows and outflows.

### Performance Pillar: + Positive

This fund has a long track record of solid performance. Its annual return consistently placed in the second quartile relative to the category average over the past 10 years, with less volatility over the long term. Given this fund's relatively low expense ratio, we expect this fund to rank in the upper half relative to its category over the long term.

DFA's execution of the fund's passive strategy added value during that time period. The fund and its benchmark, the MSCI World ex-US Small Cap Index, are almost perfectly correlated, but even after fees, the fund slightly outperformed its benchmark over the three-, five-, and 10-year trailing periods. During periods of high volatility in the market, the two can decouple: In 2008, the fund declined by 44% compared with the benchmark's 48% drop, but in 2009, it returned 42% compared with the index's 51%. Over a market cycle, the differences in performance smooth out.

### People Pillar: + Positive

Karen Umland is the senior portfolio manager of the fund and has managed it since 1998. Joseph Chi and Jed Fogdall joined the team in 2012 and have been with DFA since 2005 and 2004, respectively. This trio manages a variety of funds for DFA, particularly international and emerging-markets funds. Chi and Fogdall co-head DFA's portfolio management team, and Umland is the head of the investment strategies group. Umland is invested in the fund, and Chi and Fogdall are not.

DFA uses a team approach to fund management. The fund's managers report to DFA's investment committee biweekly, and have the support of any of the firm's other equity fund managers and traders. Because DFA doesn't conduct fundamental research on individual securities, its traders are as integral to the firm's success as analysts are at shops where security selection is central.

### Parent Pillar: + Positive

Dimensional Fund Advisors' approach to small-cap-value investing has given the firm formidable competitive advantages. Its strategy is based on

research that suggests passive investing in small-cap and value stocks outperforms the broader market over the long term. The market has favored this investment style over the past decade, and good performance has helped DFA grow to be one of the largest U.S. mutual fund firms.

Market conditions have helped DFA, but its inherent advantages, like low fees and low turnover, are evergreen. Its funds invest based on general market-cap and equity-style criteria rather than mimicking indexes. DFA's flexible approach saves on trading costs versus index strategies. Plus, the funds are team-managed, so one departure doesn't threaten execution. There's little risk that the managers will stray from their investment approach: Oversight committees, as well as a fund board made up of respected academics, ensure that the funds cleave to DFA's philosophy. DFA requires that advisors also show deep commitment to its approach before they can direct assets to its funds. To that end, DFA actually had inflows during 2008's market meltdown.

While DFA has yet to be tested by a long period when passive and value investing are out of favor and manager ownership of fund shares is weak, the firm's culture looks strong.

### Price Pillar: + Positive

The fund charges 0.56%, which is the second-lowest fee in the category and significantly cheaper than almost all other funds in its peer group. The management fee is 0.40%, with an additional 0.16% in acquired-fund fees and expenses. Though the fund is inexpensive, there are cheaper passively managed exchange-traded fund options available.

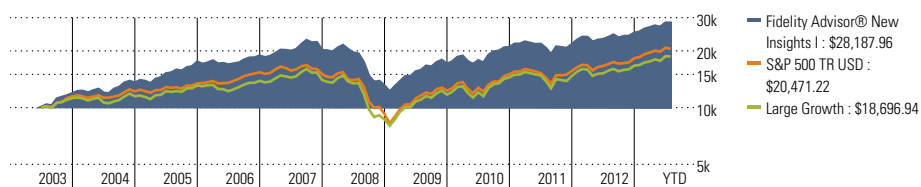
One of the fund's drawbacks is its limited availability. Individual investors cannot buy DFA's funds, but may be able to gain access through their 401(k) plan. Only select financial advisors and institutional investors are allowed to purchase shares. DFA implements these restrictions to prevent unpredictable inflow and outflow or short-term investment.

# Fidelity Advisor® New Insights I FINSX

Morningstar Analyst Rating  
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
26.57	↓-0.48   -1.77	0.08	23.4	Open	\$2,500	None	0.74%	★★★★	Large Growth	Large Growth

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks capital appreciation. The fund invests primarily in common stocks. It invests in domestic and foreign issuers. The fund invests in securities of companies whose value the adviser believes is not fully recognized by the public. It invests in either "growth" stocks or "value" stocks or both. The fund uses fundamental analysis of factors such as each issuer's financial condition and industry position, as well as market and economic conditions to select investments.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,751	9,963	11,934	16,389	14,605	27,996
Fund	17.51	-0.37	19.34	17.90	7.87	10.84
+/- S&P 500 TR USD	-0.29	1.47	-0.71	-1.16	0.05	3.45
+/- Category	0.26	-0.10	0.27	0.01	0.70	3.65
% Rank in Cat	43	50	43	51	36	3
# of Funds in Cat	1,721	1,767	1,684	1,482	1,303	881

\* Currency is displayed in USD

## Top Holdings 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Google, Inc. Class A	6.25	850.15 USD	-1.87 ↓	636.00 - 928.00
⊕ Berkshire Hathaway Inc Class A	4.16	— USD	-2.14 ↓	125,950.00 - 178,900.00
⊖ Apple Inc	3.54	488.59 USD	-2.86 ↓	385.10 - 705.07
⊕ Wells Fargo & Co	2.96	41.11 USD	-3.02 ↓	31.25 - 44.78
⊖ Walt Disney Co	2.34	60.69 USD	-1.08 ↓	46.53 - 67.89
% Assets in Top 5 Holdings	19.26			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

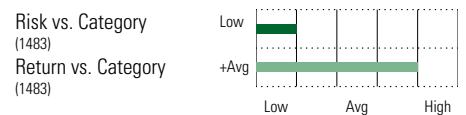
## Top Sectors 06-30-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Technology	23.13	27.85	23.13	22.95	■ Fund ▼ Cat Avg
Financial Services	20.16	20.16	9.89	9.93	
Consumer Cyclical	19.01	21.48	19.01	18.11	
Healthcare	12.46	12.46	9.41	15.70	
Consumer Defensive	8.66	10.30	8.66	8.18	

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2012-12-14	22.76	0.0000	0.1300	0.0000	0.0200	0.1500
2011-02-11	21.13	0.0000	0.0400	0.0000	0.0000	0.0400
2010-12-30	20.17	0.0000	0.0000	0.0000	0.0000	0.0000
2010-12-10	20.11	0.0000	0.0500	0.0000	0.0000	0.0500
2010-02-05	16.40	0.0000	0.0300	0.0000	0.0000	0.0300

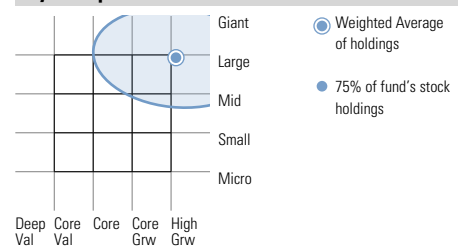
## 3 Year Average Morningstar Risk Measures



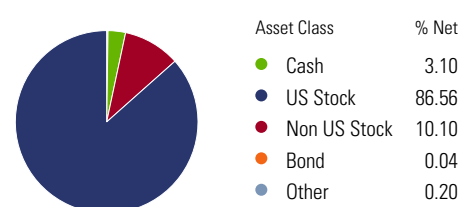
## Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊖ Neutral
Price	⊖ Neutral
Rating	Silver

## Style Map



## Asset Allocation



## Management

Manager	Start Date
William Danoff	2003-07-31

# Fidelity Advisor® New Insights I FINSX

## Analysis

### Size hasn't slowed this fund down.

By Katie Rushkewicz Reichart, CFA 1/9/2013  
Strong investing chops work in Fidelity Advisor New Insights' favor.

Manager Will Danoff has run this fund, which closely resembles its much larger sibling Fidelity Contrafund FCNTX, since its 2003 inception. As at Contrafund, he's delivered remarkably consistent results here: The fund has beaten the S&P 500 Index in 82% of the rolling three-year periods since inception, and it's stayed in the large-growth category's top half in every calendar year except 2009.

Danoff has achieved that feat while managing a huge asset load. His two funds total over \$100 billion in assets, and that amount will grow, as he's recently started running a fund that is used in the target-date lineup. So far, size hasn't slowed him down. Danoff has managed the immense asset base by keeping turnover moderate and maintaining a portfolio of roughly 400 stocks. Fidelity's large analyst team is an important resource for overseeing such a broad portfolio, but Danoff's 20-plus years as a manager also provides a valuable edge.

Even more impressive, the fund has avoided becoming an index-hugger to compensate for its size. Its active share (a measure of portfolio overlap with the benchmark) has averaged 73% since its inception, indicating it has just 27% of its holdings in common with the S&P 500. Danoff's made outsized bets on some of the benchmark's bigger constituents (the fund's 8% stake in Apple AAPL is nearly twice the index's weighting), and industry and sector bets remain distinct. (The fund's currently heavy in technology and consumer discretionary stocks.) The fund's foreign stake has hit 20% in the past, and while size limits its ability to take big positions in small- and mid-cap stocks, there are plenty out-of-benchmark names populating the portfolio.

The fund certainly isn't as flexible as some smaller peers, and it could be cheaper given its size, but the outlook here remains good.

### Process Pillar: Positive

Will Danoff distinguishes himself less by his strategy--like many growth investors, he seeks companies with strong and improving earnings--than by its execution. He stitches together historical knowledge, analyst research, and insights he gleans from top management to understand what will drive companies' growth. He casts a wide net, holding 350-500 names--a requirement given how much money he runs between this fund and Contrafund. Despite such sprawl, the fund's complexion is hardly marketlike. Judged against the S&P 500, the fund's active share (a measure of portfolio overlap) has averaged 73% since its 2003 inception, indicating that just 27% of its holdings have replicated the index. Danoff sets the fund apart by investing relatively heavily overseas and by keeping a larger proportion than the S&P 500 in mid-caps, many of which aren't even in the index. It's true that Danoff once invested more heavily in smaller names, but the fund's average market cap is still smaller than the bogy's. In the early 2000s, Danoff tweaked his strategy to accommodate his heavy load, moderating turnover and climbing the market ladder--adjustments that fortunately didn't damp performance. With about \$100 billion in tow, he can't help but become a top shareholder when he invests, restricting his ability to trade holdings easily. While Danoff's funds have worn their weight well thus far, there's the risk they won't be able to do so as they continue to grow.

In 2008, Danoff began giving his portfolio a higher-quality tilt and didn't abandon it in the ensuing years. Big blue-chip companies such as Walt Disney DIS and Coca-Cola KO continue to headline his portfolio. With huge global footprints, he believes these firms stand to benefit from stronger growth outside the United States. The portfolio is eclectic, though, and isn't particularly reliant on these names alone. (The proportion of it devoted to companies with moats, as designated by Morningstar equity analysts, is average by large-cap fund standards.)

Danoff has also been drawn to fast-growers, especially in technology. Apple AAPL and Google GOOG remain top holdings. He also established a tiny

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Neutral

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	15.42	-1.82
2012	16.11	0.77
2011	-0.73	1.73
2010	16.34	0.81
2009	29.37	-6.32

### Analyst Favorites by Category

	YTD Return %
American Funds AMCAP A	21.05
American Funds New Economy A	22.79
Harbor Capital Appreciation Instl	17.17
Jensen Quality Growth J	16.41
Manning & Napier Equity	19.02
Morgan Stanley Focus Growth B	22.67
Morgan Stanley Institutional Growth I	23.27
PRIMECAP Odyssey Growth	28.32
Sequoia	17.95
Vanguard Capital Opportunity Inv	28.26
Vanguard PRIMECAP Core Inv	22.37
Vanguard PRIMECAP Inv	22.79
Large Growth	17.24

# Fidelity Advisor® New Insights I FINSX

## Analysis

stake in still-private Facebook in early 2011. The social network is often viewed as a Google competitor, but in a classic example of how he uses smaller holdings to inform his views on larger ones, Danoff notes that Facebook users are on the Internet a lot more often than nonusers and they prefer Google as their search engine. Danoff also continues to keep a sizable chunk of his portfolio overseas, with 11% invested abroad. (6% is the large-growth norm.) Reflecting inflation worries, a meaningful piece of this foreign stake is in gold-related companies.

### Performance Pillar: Positive

Will Danoff has managed money long enough to have witnessed three bear markets--in the early 1990s, the early 2000s, and in 2007-08. He is one of a few managers to have beaten the competition in all of them. (He also outpaced his peers in 2011's turbulent environment.) Indeed, he has provided more downside protection than most large-growth managers, losing 82% as much as his typical peer in down markets since the fund's inception. Relative performance generally has been weakest in the early stages of market recoveries, when investors typically favor speculative fare. Danoff's preference for proven growers showing tangible signs of improving earnings has proved a liability in such environments. His approach made for smaller gains in 2003 and 2009, for example, as racier stocks led the way. Still, he has fared modestly better than the category average in upturns. And Contrafund (with a longer record than this fund) has succeeded in most markets, beating its rivals in more than 80% of the rolling three-year periods during Danoff's tenure. Overall, the fund's long-term record gleams: It's gained 9.9% annualized since its 2003 inception through 2012, beating the S&P 500 Index by more than 3 percentage points. Few large-growth funds fared better over the period. That Danoff delivered such results while managing tremendous sums inspires confidence that he can continue to do so, though his past record is a tough act to follow.

### People Pillar: Positive

This fund's biggest competitive advantage is manager Will Danoff, at the helm here since July 2003

(and at nearly identical Fidelity Contrafund FCNTX since 1990). His long-term record is virtually peerless. Danoff can draw upon a giant central research pool of approximately 180 analysts in the United States and overseas. His approach requires a large analyst group for support, as he couldn't effectively monitor a portfolio that frequently approaches 500 holdings without it. The immense sums that Danoff manages--roughly \$105 billion between this fund and Contrafund as of December 2012--may limit his investment flexibility, but it gives analysts strong incentives to provide him with their best ideas because even a small stake in the funds can have a big impact in dollar terms. By all accounts, he uses this research well; ask analysts which manager asks them the toughest questions and Danoff is likely to be one of the answers. He's hardly reliant on the analysts alone, doing a lot of the legwork himself. Danoff prides himself on quizzing hundreds of company managements a year. (He carries around a thick, tattered notebook listing the tickers of whom he's met with.) It's hard to imagine this fund being as successful without Danoff at the helm. Few possess his experience, and his process would be tough to replicate. He's still competitive and passionate, though, making succession risk likely a distant concern.

### Parent Pillar: Neutral

There's no denying the tremendous resources Fidelity devotes to its research effort, nor its ability to attract talent. The size of its analyst army towers over its competitors', and this group has become increasingly experienced, mostly thanks to Fidelity's decision to carve out a career analyst path. That's improved the quality of research upon which portfolio managers rely. Moreover, there's no doubting the stability and vast technical and human resources backing the firm's fixed-income lineup, which operates fairly autonomously.

Fidelity has had trouble translating these advantages into consistently good performance in the equity realm, though. To its credit, the firm has taken steps in recent years to improve its act. The firm's effort to develop more clearly defined strategies among its equity funds is one such ex-

ample. Another is its move to slow manager turnover. Even so, Fidelity's average manager tenure remains very weak relative to its largest competitors.

Fidelity could also do more to push managers to invest in the funds they oversee. The managers' level of investment is average relative to competitors. Moreover, the firm's manager compensation relies too heavily on three-year performance to stand out.

Where Fidelity is most competitive is on cost. While not the industry leader, its funds are generally less expensive than their rivals.

### Price Pillar: Neutral

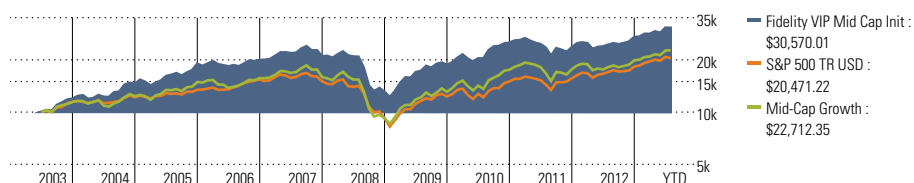
This fund's competitiveness on price depends on the share class. Investors in the A and C share classes (which comprise 43% of the fund's assets) receive relatively good deals, with the expense ratios of those share classes scoring below average relative to their respective peer groups. The B and I shares score only average on price, though, and consume nearly half of the fund's assets. The T shares, meanwhile, are priced above average. The levy includes a performance-based management fee, which is tied to the fund's three-year returns versus the S&P 500 Index. (For every percentage point of out- or underperformance over the three-year period, the fee is adjusted by 0.02%, up to a maximum of 0.2%.)

# Fidelity VIP Mid Cap Init

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
36.26	↓ -0.05   -0.14	0.52	8.4	Open	\$—	None	0.63%	★★★★	Mid-Cap Growth	Large Growth

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks long-term growth of capital. The fund normally invests at least 80% of assets in securities of companies with medium market capitalizations (which, for purposes of this fund, are those companies with market capitalizations similar to companies in the Russell Midcap® Index or the S&P MidCap 400® Index). It potentially invests in companies with smaller or larger market capitalizations. The fund invests in domestic and foreign issuers. It invests in either "growth" stocks or "value" stocks or both.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,995	9,989	12,507	14,999	14,872	30,466
Fund	19.95	-0.11	25.07	14.47	8.26	11.78
+/- S&P 500 TR USD	2.15	1.73	5.02	-4.59	0.44	4.39
+/- Category	-1.04	-0.82	0.18	-4.43	-0.35	2.64
% Rank in Cat	56	80	43	95	51	4
# of Funds in Cat	97	100	97	94	87	58

\* Currency is displayed in USD

## Top Holdings 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Archer-Daniels Midland Company	1.53	34.63 USD	0.38 ↑	24.38 - 38.81
⊖ Kroger Co	1.41	36.40 USD	-1.25 ↓	21.73 - 39.97
Fleetcor Technologies, Inc.	1.16	103.17 USD	-1.46 ↓	42.37 - 108.38
⊖ HSN, Inc.	1.13	55.13 USD	-2.79 ↓	44.14 - 65.00
⊖ Fiserv, Inc.	1.12	96.50 USD	-2.34 ↓	69.93 - 102.23
% Assets in Top 5 Holdings	6.34			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

## Top Sectors 06-30-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg	
⚙ Industries	21.12	21.12	10.52	19.18	■ Fund ▼ Cat Avg
🛒 Consumer Cyclical	20.10	28.55	20.10	19.07	
💻 Technology	18.51	23.20	11.19	18.63	
🏦 Financial Services	13.73	13.73	12.20	9.47	
🏥 Healthcare	8.41	12.17	3.77	12.84	

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-02-08	32.56	0.3400	0.0000	0.0000	0.0000	0.3400
2012-12-27	30.19	2.5900	0.0000	0.0000	0.0400	2.6300
2012-12-14	32.59	0.0000	0.0100	0.0000	0.1700	0.1700
2012-02-03	31.97	0.0100	0.0000	0.0000	0.0000	0.0100
2011-12-16	28.51	0.0000	0.0600	0.0000	0.0800	0.1400

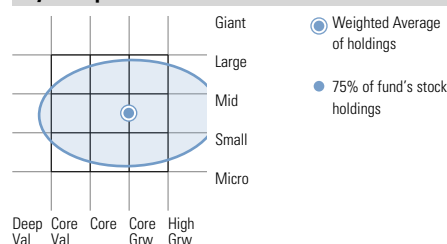
## 3 Year Average Morningstar Risk Measures



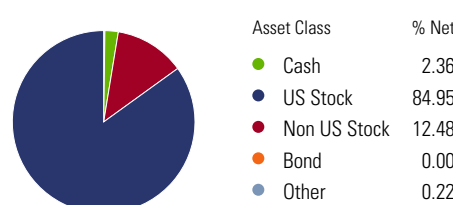
## Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

## Style Map



## Asset Allocation



## Management

Start Date
2001-06-13

Thomas Allen

# Fidelity VIP Mid Cap Init

## Analysis

### Morningstar's Take

Morningstar Analyst Rating —

### Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold
  Silver
  Bronze
 Neutral
 Negative

### Fund Performance

	Total Return %	+/- Category
YTD	—	—

### Analyst Favorites by Category

YTD Return %

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We do not currently publish an Analyst Report for this company.

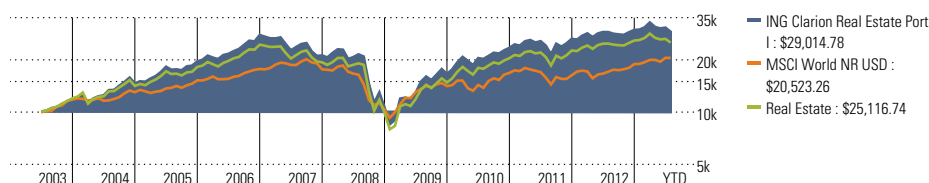


# ING Clarion Real Estate Port I IVRIX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Mil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
26.83	↓-0.12   -0.44	1.57	639.1	Open	\$—	None	0.61%	★★★★	Real Estate	Large Growth

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks total return including capital appreciation and current income. Under normal market conditions, the Portfolio invests at least 80% of its assets in common and preferred stocks of U.S. real estate investment trusts ("REITS") and real estate companies. The Sub-Adviser may invest in companies of any market capitalization. However, the Sub-Adviser will generally not invest in companies with market capitalization of less than \$100 million at the time of purchase. The Portfolio also may invest in convertible securities, initial public offerings, and Rule 144A securities. The fund is non-diversified.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,052	9,214	10,100	14,588	13,856	28,807
Fund	0.52	-7.86	1.00	13.41	6.74	11.16
+/- MSCI World NR USD	-13.56	-7.28	-18.55	-0.85	1.81	3.69
+/- Category	0.29	-0.58	-0.70	0.62	1.22	2.19
% Rank in Cat	41	67	59	22	19	4
# of Funds in Cat	272	287	259	226	202	128

\* Currency is displayed in USD

## Top Holdings 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊖ Simon Property Group Inc	9.25	145.74 USD	-0.95 ↓	143.20 - 182.45
⊕ Equity Residential	4.56	52.92 USD	0.02 ↑	50.24 - 61.47
⊕ Prologis Inc	4.50	35.82 USD	-0.20 ↓	32.31 - 45.52
⊕ Host Hotels & Resorts Inc	4.40	17.07 USD	-1.44 ↓	13.58 - 18.87
⊕ Health Care REIT, Inc.	4.03	61.51 USD	0.72 ↑	56.48 - 80.07
% Assets in Top 5 Holdings	26.75			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

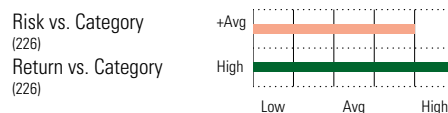
## Top Sectors 06-30-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Real Estate	98.66	100.00	98.66	97.70	■ Fund ▼ Cat Avg
Basic Materials	0.51	0.51	0.00	0.52	
Consumer Cyclical	0.49	1.16	0.00	1.07	
Industrials	0.35	0.35	0.00	0.19	
Financial Services	0.00	0.00	0.00	0.05	

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-07-16	29.33	0.0000	0.0000	0.0000	0.4500	0.4500
2012-07-16	27.31	0.0000	0.0000	0.0000	0.3200	0.3200
2011-07-14	24.21	0.0000	0.0000	0.0000	0.3500	0.3500
2010-07-14	18.96	0.0000	0.0000	0.0000	0.7200	0.7200
2009-07-15	11.79	0.3500	0.0000	0.0000	0.6300	0.9800

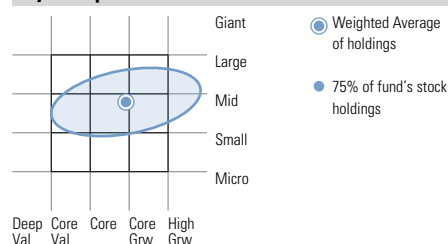
## 3 Year Average Morningstar Risk Measures



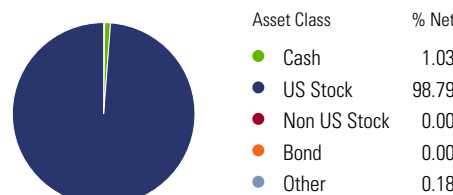
## Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

## Style Map



## Asset Allocation



## Management

Joseph P. Smith  
 Start Date 2009-05-01



# ING Clarion Real Estate Port I IVRIX

## Analysis

### Morningstar's Take

Morningstar Analyst Rating —

### Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold
  Silver
  Bronze
 Neutral
 Negative

### Fund Performance

	Total Return %	+/- Category
YTD	0.52	0.29
2012	15.85	-1.75
2011	9.76	2.25
2010	28.29	1.21
2009	36.29	5.02

### Analyst Favorites by Category

	YTD Return %
T. Rowe Price Real Estate	1.06
Vanguard REIT Index Inv	1.43
Real Estate	0.22

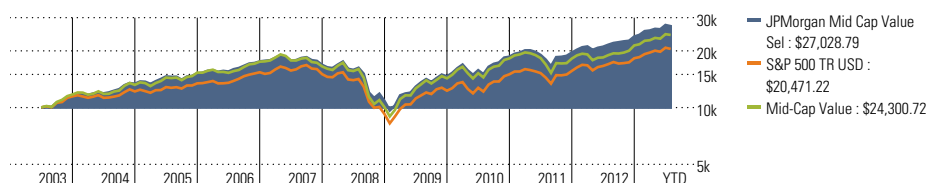
We do not currently publish an Analyst Report for this company.

# JPMorgan Mid Cap Value Sel JMVSX

Morningstar Analyst Rating  
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
32.64	↓-0.54   -1.63	1.03	13.8	Limited	\$1	None	0.98%	★★★★	Mid-Cap Value	Large Growth

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks growth from capital appreciation. The fund normally invests at least 80% of assets in equity securities of mid cap companies. Mid cap companies are companies with market capitalizations between \$1 billion and \$20 billion at the time of purchase. In implementing its main strategies, the fund's investments are primarily in common stocks and real estate investment trusts (REITs). It will use futures contracts to more effectively gain targeted equity exposure from its cash positions.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,952	9,878	12,559	17,967	16,973	27,013
Fund	19.52	-1.22	25.59	21.57	11.16	10.45
+/- S&P 500 TR USD	1.73	0.62	5.54	2.51	3.34	3.05
+/- Category	-1.90	-0.43	-2.82	2.53	1.86	1.11
% Rank in Cat	69	70	72	13	16	19
# of Funds in Cat	423	438	415	362	307	173

\* Currency is displayed in USD

## Top Holdings 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Marsh & McLennan Companies, Inc.	1.71	41.12 USD	-2.31 ↓	33.09 - 42.82
Loews Corporation	1.69	45.07 USD	-1.74 ↓	39.57 - 47.71
⊕ Ball Corporation	1.69	45.07 USD	-0.97 ↓	41.11 - 48.50
Kohl's Corp	1.55	49.84 USD	-1.07 ↓	41.35 - 55.25
AutoZone Inc	1.55	419.12 USD	-0.55 ↓	341.98 - 452.18

% Assets in Top 5 Holdings 8.19

⊕ Increase ⊖ Decrease ✱ New to Portfolio

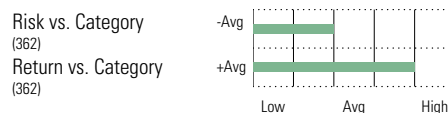
## Top Sectors 06-30-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg
🏠 Consumer Cyclical	24.27	24.27	20.61	12.66
🏢 Financial Services	22.76	23.45	20.98	20.32
💻 Technology	10.48	10.48	5.82	12.68
💡 Utilities	9.45	10.62	8.65	6.84
⚙️ Industrials	6.55	10.99	6.55	13.94

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2012-12-18	27.98	0.0000	0.0000	0.0000	0.3500	0.3500
2012-12-13	27.82	0.2200	0.0000	0.0000	0.0000	0.2200
2011-12-20	23.14	0.0000	0.0000	0.0000	0.2300	0.2300
2010-12-20	23.13	0.0000	0.0000	0.0000	0.2400	0.2400
2009-12-21	19.05	0.0000	0.0000	0.0000	0.0000	0.0000

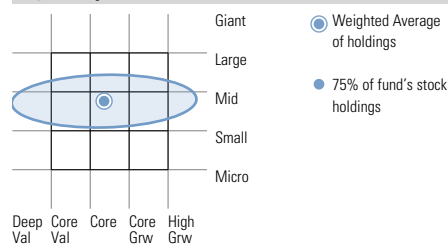
## 3 Year Average Morningstar Risk Measures



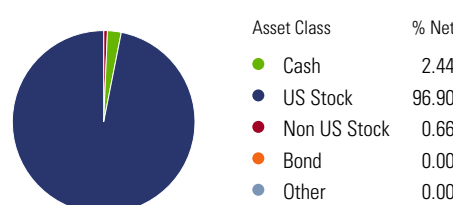
## Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	Silver

## Style Map



## Asset Allocation



## Management

Start Date
Gloria Fu 2006-05-01

# JPMorgan Mid Cap Value Sel JMVSX

## Analysis

### This closed fund is a keeper.

By Laura Lallios 7/29/2013

JPMorgan Mid Cap Value has done right by shareholders.

Above-average returns and below-average risk scores have made this a winner. Lead manager Jonathan Simon sets a goal of strong performance relative to his benchmark, with less volatility. That's typical for JPMorgan, but Simon has done an exceptional job during his long tenure.

Simon noted last year that the fund's burgeoning asset base could strain its strategy and said that he was mindful of capacity. He followed through: The fund closed to new investors in February 2013. With more than \$13 billion under management, this remains one of the biggest mid-cap funds, but it is significantly smaller than the two largest actively managed mid-cap funds, both Morningstar Medalists.

The fund's market-cap range accommodates its asset base. It is well within the mid-cap space, but it currently leans more toward large caps than the category average. Simon has been willing to hold on to some picks as they have grown, opting for liquidity when there is no valuation advantage to smaller names.

Simon and comanagers Lawrence Playford and Gloria Fu combine quantitative screens and fundamental analysis to find undervalued companies with strong balance sheets, earnings growth, and cash flows. That's standard high-quality value investing, but it is consistently well executed here. The portfolio contains around 100 names, with position sizes generally no more than 2%. Simon believes--and his record shows--that this is concentrated enough to break away from the Russell Midcap Value Index without undue risk.

In recent years, the fund has leaned toward consumer cyclicals; the stake is now about twice that of the index. Both the sector and stock-picking within it have contributed significantly to the fund's three- and five-year returns. Credit goes to Fu, who covers that sector, but Morningstar's attribution analysis shows that strong stock-picking

across the board has contributed to the fund's extended outperformance.

### Process Pillar: Positive

Jonathan Simon and his team buy undervalued mid-cap companies--in the \$1 billion to \$20 billion market-cap range at time of purchase--with high barriers to entry, low cyclicalities, and management focused on increasing intrinsic value. They combine fundamental analysis with quantitative screens, seeking consistent earnings and cash flow and strong balance sheets. As for valuations, they consider a variety of metrics but particularly like free cash flow yield.

The goal is above-average companies at average prices, and the portfolio statistics suggest they achieve it. While the price multiples are a bit above the Russell Midcap Value figures, the portfolio shows significantly higher growth, better margins, and superior return on assets and return on equity.

The portfolio is built from the bottom up, and Simon will allow individual sector exposure to go up to 25% or double the benchmark exposure, whichever is greater. The fund is still well-diversified, but the consumer cyclical stake is about double that of the index and category average.

Simon sells when relevant valuation metrics suggest a stock is overvalued, when fundamentals change, or when he finds a better idea. He does not automatically sell when a stock grows into the large-cap space, and the fund is currently more tilted to large caps than the benchmark and category.


The portfolio has about 100 names at any time. Jonathan Simon says that provides enough tracking error to generate outperformance relative to the Russell Midcap Value Index. The biggest position is generally around 2%. He is wary of concentrating more than that in one pick given the fund's mid-cap focus, noting that if he "falls in love with a stock and lets it get to 4%" he risks being "blind-sided." Judging from the fund's risk/reward profile, he's found the right balance.

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	19.52	-1.90
2012	20.19	3.59
2011	2.17	6.12
2010	23.12	1.20
2009	26.33	-9.08

### Analyst Favorites by Category

	YTD Return %
Artisan Mid Cap Value Investor	23.86
T. Rowe Price Mid-Cap Value	17.55
Vanguard Selected Value Inv	25.83
Mid-Cap Value	21.42

# JPMorgan Mid Cap Value Sel JMVSX

## Analysis

The fund has had a bent toward consumer discretionary names, which the managers believe offer strong brands, franchises, and cash flow; the fund's stake there at the end of May was more than twice the benchmark's. Discount retailers that hold up during economic downturns are one theme in this sector; the fund has owned TJX Companies TJX, which has grown into a large-cap name, since 2003. Its stake has been trimmed as valuations have risen over the past year, while undervalued Kohl's Corp KSS has moved into the top 10.

Financials are another significant stake that has done well in recent years, including top-10 pick Fifth Third Bancorp FITB and other regional banks. Less typical is holding company Loews Corp L, the top pick as of May 31, in the portfolio since early 2009. Simon believes that management are good allocators of capital and notes that they've been buying back stock.

### Performance Pillar: Positive

Jonathan Simon has run this fund's Institutional share class since its November 1997 inception; its return from then through July 24, 2013, is an annualized 13.4%, compared with 9.5% for the Russell Midcap Value index and 8.5% for the mid-value category. About half of the fund's assets are divided between A and Select shares, which opened in 2001. These have higher expenses, but like the Institutional shares, they beat the category average over the trailing three, five, and 10 years.

This long-term outperformance is the result of consistently strong showings. The fund's rolling returns summary indicates that its three-year returns rarely land in the category's bottom quartile. While 2009 stands out as a rare bottom-quartile calendar year, that resulted from underperformance during the low-quality rally from March on, not excessive losses early in the year.

Simon aims to remain competitive in strong markets and, although the fund is a bit behind so far in 2013, he's achieved that. He focuses more on trying to provide a cushion during downturns, and the fund's losses in 2008 were limited compared with the category. By any measure, this has been a rel-

atively mild-risk offering. Its Morningstar risk scores (which emphasize downside volatility) are below-average, and its standard deviation has been well below the category and benchmark figures.

### People Pillar: Positive

Manager Jonathan Simon has run this fund since 1997 and has more than \$1 million invested here. He started as an analyst at Robert Fleming in 1980 and became a portfolio manager in 1987. He served as president of Fleming's U.S. asset management operations from 1990 to 2000, when Fleming was acquired by what is now JPMorgan Chase.

Lawrence Playford became a comanager in 2004, and Gloria Fu in 2006. Both were previously analysts working on the fund. Playford joined JPMorgan as an analyst for the finance department 19 years ago, served as a client advisor at JPMorgan Private Bank, and moved over to the U.S. equity group in 2001. He is responsible for industrials, energy, utilities, and technology. Playford had between \$100,000 and \$500,000 invested in the fund at last report. Fu focuses on consumer names. She joined JPMorgan Securities as a sell-side analyst in 2002 after two years with Robertson Stephens. From 1995 to 2000, Fu worked in real estate investment for Arthur Andersen and Starwood Capital Group. She has between \$50,000 and \$100,000 invested here.

Analyst Patrick Parr covers industrials and technology with Playford. The team is supported by more than 25 analysts in JPMorgan's U.S. equity division. Simon, Playford, and Fu also work together on JPMorgan Value Advantage JVAAX, which has an excellent record since it opened in 2005.

### Parent Pillar: Neutral

JPMorgan's mutual fund business is what investors might expect of one of the largest financial institutions in the United States. It has a large and diverse fund lineup, vast resources, a global investment team, and an assertive distribution effort. JPMorgan has built its fund business partly through acquisitions, but recent asset growth has come on the heels of 2008's financial crisis, when

the parent bank showed its strength over competitors. The mutual fund operation stands out in some ways, but there are also deficiencies.

The fund lineup includes its fair share of stalwart management teams, such as the Columbus, Ohio, fixed-income team, the managers at the SmartRetirement target-date series, and Jonathan Simon's team at JPMorgan Mid Cap Value JAMCX. Unfortunately, JPMorgan Large Cap Value OLVAX has faltered under several managers in recent years. Taken as a whole, the lineup has produced middle-of-the-road results. Moreover, the fund division's parent company JPMorgan Chase serves as a double-edged sword, providing both the stability of a multinational organization and the uncertain impact of increased regulatory and media scrutiny.

The board has stood up for fundholders' interests by pushing for lower fees and fund closures when appropriate. Significant recent changes to the board members, however, warrant caution.

### Price Pillar: Positive

More than half of this fund's assets are in the Institutional shares, its oldest share class. An expense ratio of 0.74% is low compared with the institutional shares of other mid-cap funds.

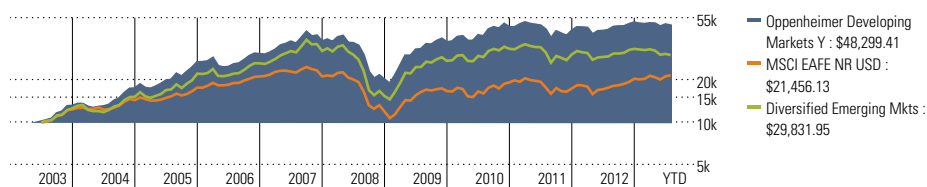
Most of the remainder is divided between A and Select shares. The former have below-average expenses compared with other mid-cap front-load funds. The latter have average costs compared with mid-cap institutional funds, but are available to retail investors through certain registered investment advisors.

# Oppenheimer Developing Markets Y ODVYX

Morningstar Analyst Rating  
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
34.08	↓-0.22   -0.64	0.72	34.0	Limited	\$—	None	1.03%	★★★★★	Diversified Emerging Mkts	Large Growth Mkts

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks capital appreciation aggressively. The fund mainly invests in common stocks of issuers in developing and emerging markets throughout the world and at times it may invest up to 100% of its total assets in foreign securities. Under normal market conditions, it will invest at least 80% of its net assets, plus borrowings for investment purposes, in equity securities of issuers whose principal activities are in a developing market, i.e. are in a developing market or are economically tied to a developing market country. The fund will invest in at least three developing markets.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,771	9,693	10,672	11,960	14,079	48,008
Fund	-2.29	-3.07	6.72	6.15	7.08	16.99
+/- MSCI EAFE NR USD	-12.76	-3.07	-13.29	-3.86	4.57	9.12
+/- Category	5.74	0.11	5.63	4.81	5.46	5.25
% Rank in Cat	14	47	16	7	2	—
# of Funds in Cat	628	664	566	360	272	148

\* Currency is displayed in USD

## Top Holdings 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
Baidu, Inc. ADR	4.00	135.12 USD	-2.80 ↓	82.98 - 143.12
Tencent Holdings Ltd.	2.88	362.00 USD	1.46 ↑	233.00 - 380.00
QAO Novatek GDR	2.33	119.80 USD	-0.42 ↓	98.00 - 130.40
⊖ America Movil, S.A.B. de C.V. ADR	2.28	19.58 USD	-0.76 ↓	18.26 - 26.60
⊖ OJSC Magnit	2.21	—	—	—
% Assets in Top 5 Holdings	13.69			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

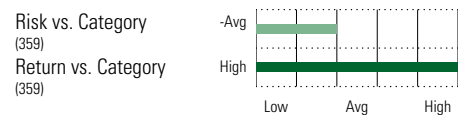
## Top Sectors 07-31-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg	
🏠 Consumer Defensive	22.08	22.75	21.59	12.94	■ Fund ▼ Cat Avg
💻 Technology	20.25	20.25	16.01	14.58	
🚗 Consumer Cyclical	15.42	16.96	13.60	10.85	
🏦 Financial Services	12.02	15.92	12.02	24.44	
⚡ Energy	9.39	9.39	8.18	8.52	

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2012-12-07	33.82	0.0000	0.0000	0.0000	0.2500	0.2500
2011-12-09	29.56	0.0000	0.0000	0.0000	0.6800	0.6800
2010-12-21	35.02	0.0000	0.0000	0.0000	0.1400	0.1400
2009-12-07	28.20	0.0000	0.0000	0.0000	0.1800	0.1800
2008-12-08	14.85	8.0100	0.3100	0.0000	0.7900	9.1100

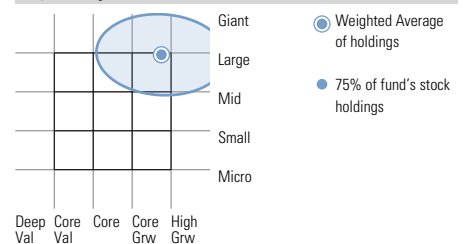
## 3 Year Average Morningstar Risk Measures



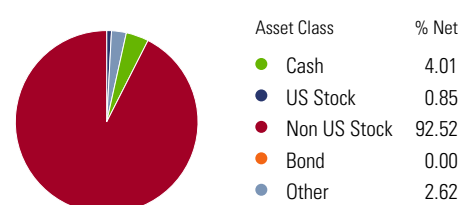
## Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	Silver

## Style Map



## Asset Allocation



## Management

Justin Leverenz  
Start Date: 2007-05-01

# Oppenheimer Developing Markets Y ODVYX

## Analysis

### Firing on all cylinders.

By Karin Anderson 1/17/2013

There's good reason why Oppenheimer Developing Markets has gotten so much attention.

This was the most popular actively managed emerging-markets equity fund in 2012, taking in roughly \$5 billion. Strong performance and inflows in recent years have put this fund's asset base over the \$30 billion mark. An unwieldy asset base could make it harder to trade less-liquid small- and mid-cap stocks, but manager Justin Leverenz continues to steer the fund in a consistent and successful fashion. Leverenz is helped by his investment style, which hinges on buying companies with healthy free cash flows that can generate high returns on capital throughout the market cycle. He isn't a rapid buyer or seller of stocks: Just over half the fund's assets are in stocks that he's owned for more than three years.

What's more, portfolio construction has been consistent. Leverenz continues to hold 100-125 stocks in the portfolio, and the fund's average market cap has remained in the \$15 billion-\$20 billion range, indicating that he hasn't had to move into bigger stocks to accommodate the larger asset base. And the portfolio continues to sport the same large bets, including a big focus on consumer defensive stocks. At just over 23% of assets that stake is twice the size of the typical rival's and the MSCI Emerging Markets Index's. He also devotes a lot more to India than the category norm and index; its 13% stake is roughly double their weightings. India stocks ICICI Bank and HDFC Bank were big contributors to this fund's outperformance in 2012's choppy rally, and Leverenz also had several winners from Brazil in an otherwise bad year for that market, including exchange operator Bovespa and retailer Lojas Americanas.

Leverenz's deft stock selection and a patient, valuation-sensitive process have also helped the fund hold up relatively well in down markets, leading to an enviable risk/reward profile since he took over in 2007. Keep in mind that this fund could lag in a sharp rally given its ample exposure to more-defensive stocks, but overall investors have a worthy option here.

### Process Pillar: Positive

Manager Justin Leverenz aims to buy companies with competitive advantages and healthy free cash flows that can generate high returns on capital throughout the market cycle. Often these stocks fit into an investment theme such as the retail migration from mom-and-pop shops to supercenters in emerging-markets countries. Within these themes, Leverenz seeks stocks he can hang onto for several years. This tack has kept the fund's turnover well below the category norm, a trait illustrated by larger positions in Indian IT firm Infosys INFY and Chinese internet firm Baidu BIDU, which he's trimmed and added to for several years.

Leverenz does not hedge currency exposure and pays no heed to the sector and regional weights of the MSCI Emerging Markets Index. His hunt for consistent earners keeps the fund light on cyclical fare such as financials and materials stocks. He'll also avoid industries or regions where he sees nosebleed valuations. For instance, he kept the fund's China exposure below 5% in the second half of 2007--a level well below the group norm--due to valuation concerns. That move proved fortuitous as Chinese stocks suffered greatly in 2008. Going its own way has been a winning recipe for the fund so far, but investors can count on it trailing the pack at times due to its unique profile.

This was the most popular actively managed emerging-markets equity fund in 2012, taking in roughly \$5 billion. The fund also took on large amounts of new money in 2009 and 2010, and now it's crossed the \$30 billion mark. An unwieldy asset base could make it harder for the manager to keep the fund invested in his best ideas, and it could also be more difficult to trade less liquid small- and mid-cap stocks. That said, Justin Leverenz continues to steer the fund in a consistent and successful way. He continues to hold 100-125 stocks in the portfolio, and the fund's average market cap has remained in the \$15 billion-\$20 billion range. Leverenz doesn't use cash tactically, and that stake has stayed between 5% and 7% in recent years.

The portfolio continues to sport the same large

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	-2.29	5.74
2012	21.29	3.14
2011	-17.85	2.01
2010	27.39	8.13
2009	82.10	8.28

### Analyst Favorites by Category

	YTD Return %
American Funds New World A	0.84
Diversified Emerging Mkts	-8.03



# Oppenheimer Developing Markets Y ODVYX

## Analysis

bets it always has, the result of Leverenz's theme-based, valuation-sensitive approach. That includes a big focus on consumer defensive stocks. At just over 23% of assets, that stake is twice the size of the typical rival's and the MSCI Emerging Markets Index's. The portfolio's country weights can also vary widely from the benchmark and category norm. China, for instance, has been a perennial underweight due in part to Leverenz's valuation focus and highly selective approach to cyclical stocks. Its 13% stake recently fell 5 percentage points below the benchmark weighting.

### Performance Pillar: + Positive

Playing good defense and keeping up in rallies has been the story since Justin Leverenz took over this fund in May 2007. Right off the bat, his theme-based and benchmark-agnostic approach led him to tread lightly on Chinese and Russian stocks, which were some of the hardest hit in the October 2007-March 2009 downturn. The fund lost less than most peers and the MSCI Emerging Markets Index during that difficult period. It showed relative resilience again when these stocks slid in 2011 thanks to a focus on consumer-staples stocks and a cautious approach to cyclical exposure.

The fund hasn't been a slouch in market rallies, either. In the trailing year through Jan. 15, 2013, the fund's 20.4% gain outpaced the category norm by 4.5 percentage points. That was thanks to strong stock-picking, with Philippines' mall operator SM Prime and several Brazilian picks including exchange operator Bovespa and retailer Lojas Americanas posting excellent returns. Leverenz's knack for finding good opportunities paired with a patient approach have made this fund a standout. From May 2007 through Jan. 15, the fund's 7.7% gain put it ahead all but one of its peers and well ahead of the index's 4.2% return. The manager's process kept volatility below the group norm as well.

### People Pillar: + Positive

Justin Leverenz joined Oppenheimer's international equity team in July 2004. He has nearly 20 years of investment experience, having previously worked as director of Pan Asian technology research for Goldman Sachs. He also worked at Mar-

tin Currie Investment Management, where he ran offshore China and Taiwan funds and at Barclays de Zoete Wedd (now Credit Suisse) as an analyst.

Upon joining the team in 2004, Leverenz worked as an analyst for Rajeev Bhaman on world-stock fund Oppenheimer Global OPPAX. He took over this fund in May 2007 and has a solid support system in the team's six other international equity managers, all of whom use similar low-turnover, theme-based approaches. On average, the seven portfolio managers have more than 20 years of investment experience, more than half of it at Oppenheimer. This fund's two dedicated analysts, however, have little investment experience. Since joining the firm in 2008 and 2011, Leverenz has been training them in the team's distinctive approach.

Leverenz has done a great job steering this fund so far, and it's good to see that his monetary investment in it has grown, which reflects a commitment to shareholders' best interests. (He invests between \$500,000 and \$1 million in the fund.)

### Parent Pillar: ● Neutral

OppenheimerFunds avoided any involvement in the mutual fund scandals of 2003 and 2004 and has not had any serious regulatory or ethical problems. However, the financial crisis of 2008 hit Oppenheimer much harder than most major fund shops, resulting in waves of changes that are still reverberating.

The problems stemmed from hidden risks that led to catastrophic losses in Oppenheimer Core Bond OPIGX and other fixed-income funds, and in many asset-allocation portfolios where Core Bond is a key holding. A new team led by veteran Krishna Memani took over Core Bond in early 2009, part of a broader attempt to rein in risk and improve performance under new CEO Bill Glavin and chief investment officer Art Steinmetz. This effort resulted in new management teams for the Main Street MSIGX and Capital Appreciation OPTFX funds and contributed indirectly to the departure of International Small Company OSMAX manager Rohit Sah, whose fund posted great returns but was very risky.

Glavin and other top Oppenheimer executives have said all the right things as the firm works to repair its reputation, and for the most part the changes they've introduced look like positive ones. But the road has not been entirely without bumps. Fund managers often invest alongside shareholders but not as robustly as many competitors. There's also room for fees to come down.

### Price Pillar: + Positive

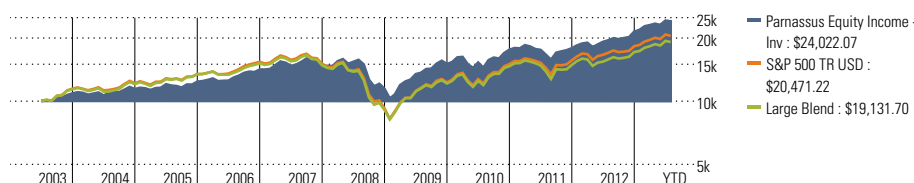
This fund's annual expense ratio of 1.36% is cheaper than 80% of all diversified emerging-markets options, and it looks even more reasonably priced compared with other broker-sold offerings in the category. (The median fee for that distribution group is 1.75%.) The fund's institutional shares levy 1.03% annually, which is also relatively inexpensive within that distribution channel. The fund's expense ratios have come down with asset growth, and given the fast pace of inflows in the past year, fees should fall further.

# Parnassus Equity Income - Inv PRBLX

Morningstar Analyst Rating  
Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
34.10	↓-0.44   -1.28	2.15	6.8	Open	\$2,000	None	0.90%	★★★★★	Large Blend	Large Growth

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks to achieve both capital appreciation and current income. The fund invests primarily in a diversified portfolio of equity securities. It normally will invest a minimum of 80% of its net assets (including any borrowings for investment purposes) in equity securities. At least 75% of the fund's total assets will normally be invested in equity securities that pay dividends. The remaining 25% may be invested in non-dividend-paying equity securities, short-term instruments and money-market instruments (i.e., "cash" or cash equivalents).

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,900	9,881	12,301	16,654	15,382	23,959
Fund	19.00	-1.19	23.01	18.53	8.99	9.13
+/- S&P 500 TR USD	1.20	0.66	2.96	-0.52	1.18	1.74
+/- Category	1.43	0.24	2.25	1.08	2.06	2.11
% Rank in Cat	28	33	25	33	9	5
# of Funds in Cat	1,600	1,674	1,548	1,351	1,222	764

\* Currency is displayed in USD

## Top Holdings 07-31-2013

	Weight %	Last Price	Day Chg %	52 Week Range
CH Robinson Worldwide, Inc.	4.38	57.70 USD	-1.92 ↓	53.74 - 67.93
Applied Materials, Inc.	4.21	15.06 USD	-2.56 ↓	9.95 - 16.78
Apple Inc	4.16	487.86 USD	-3.00 ↓	385.10 - 705.07
Procter & Gamble Co	3.95	78.02 USD	-0.66 ↓	65.83 - 82.54
⊕ Mondelez International Inc	3.80	30.68 USD	-0.11 ↓	24.50 - 42.54
% Assets in Top 5 Holdings	20.50			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

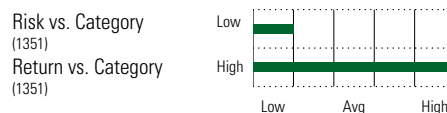
## Top Sectors 07-31-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg
⚙️ Industrials	21.52	22.23	19.82	12.47
🏪 Consumer Defensive	21.11	21.37	18.57	10.31
💻 Technology	16.60	16.60	14.01	15.97
⚡ Energy	9.14	9.49	6.11	9.86
🏥 Healthcare	8.42	19.45	8.42	12.98

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-06-28	33.17	0.0000	0.0000	0.0000	0.1000	0.1000
2013-03-28	32.81	0.0000	0.0000	0.0000	0.1000	0.1000
2012-12-27	29.05	0.0000	0.0000	0.0000	0.4700	0.4700
2012-11-16	28.54	0.4400	0.0000	0.0000	0.0000	0.4400
2012-09-28	29.78	0.0000	0.0000	0.0000	0.0900	0.0900

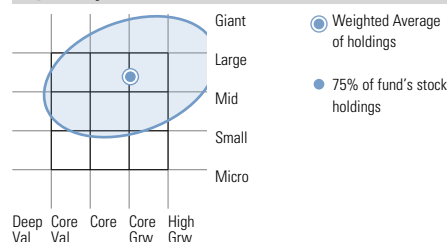
## 3 Year Average Morningstar Risk Measures



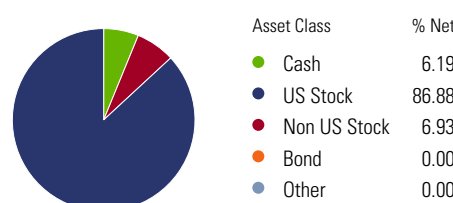
## Pillars

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	Silver

## Style Map



## Asset Allocation



## Management

Benjamin E. Allen  
Start Date 2012-05-01



# Parnassus Equity Income - Inv PRBLX

## Analysis

### A model of active management.

By Laura Lallios 5/15/2013

Parnassus Equity Income is a good role model.

Parnassus is a socially conscious investment manager, but this fund also meets a high standard for active management. Longtime lead manager Todd Ahlsten and comanager Ben Allen (who came on in May 2012) are scrupulous stock-pickers. They maintain a low-turnover portfolio of about 40 companies with relevant products or services, significant barriers to entry, and capable management. Conviction has paid off: This has been one of the stronger performers in the large-cap blend category during Ahlsten's tenure. Yet even though the fund is focused both in names and sectors, it has low Morningstar risk scores, which emphasize downside volatility.

When Ahlsten and Allen evaluate a stock they anticipate a wide range of outcomes, incorporating a variety of macroeconomic scenarios. The fund has little in financials because they don't think the stocks are priced to reflect the risk inherent in the global financial system. The fund was also light on the sector going into the crisis because Ahlsten didn't like their balance sheets, and he'd avoided housing names because they lacked moats. Consequently, this fund lost less than 98% of its peers in 2008. It was also in the black in 2011.

While they do not emphasize income, the fund must keep 75% of assets in dividend-paying stocks, which also lends stability. The managers also assert that companies that pass Parnassus' environmental, social, and governance, or ESG, screens are less risky than others within the same industries.

The fund's low risk profile has been a draw: The fund has seen steady net inflows since 2008, unusual for a domestic equity fund. At \$6 billion, the fund is not unwieldy, but this is a concentrated portfolio with an above-average stake in small- and mid-cap names. The managers say they are keeping an eye on capacity.

With Allen settled in as comanager, another strong year on the record, and a decrease in ex-

penses, this fund has earned an upgrade to Silver from Bronze.

### Process Pillar: Positive

This fund has typical socially conscious restrictions: It eschews companies deriving significant revenue from alcohol, tobacco, weapons, or nuclear power, or those directly involved in gambling. However, Parnassus places more emphasis on environmental, social, and governance, or ESG, criteria. Believing ESG screens also identify companies likely to outperform industry peers, they seek out those that score well on corporate governance, employee benefits, stakeholder relations, products, environmental impact, and customer and supply chain relationships.

From there, managers Todd Ahlsten and Ben Allen invest in companies with wide or increasing moats that sell increasingly relevant products or services and that are guided by good management. While they do not make top-down sector calls, they buy when a stock is undervalued based on a range of outcomes incorporating a variety of macroeconomic scenarios. That can lead to sector biases; the fund has much more in consumer staples and industrials than large-blend peers and far less in consumer discretionary names and financials.

The fund must have 75% of assets in dividend-paying stocks. However, there is no particular emphasis on high dividends or dividend growth, which might limit the fund's appeal to typical equity-income investors. What's more, as of April 2013, the portfolio had nearly 40% in mid- and small-cap names.

Todd Ahlsten and Ben Allen are patient, high-conviction investors. They hold 40 or so names and initiate a position only if they are willing to stake at least 1% of the fund's assets. Case in point: Apple AAPL. A year ago, they'd believed they'd underestimated its moat, but also that it was too pricey to buy. The stock's decline spelled opportunity, and in April they bought in, ending the month with 3.6% of assets in the stock.

Ahlsten and Allen regularly adjust position size as valuations and risk profiles change. Biopharma-

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	19.00	1.43
2012	15.43	0.47
2011	3.13	4.41
2010	8.87	-5.14
2009	28.75	0.58

### Analyst Favorites by Category

	YTD Return %
American Funds Fundamental Invs A	15.87
Davis NY Venture A	19.69
Fidelity Spartan 500 Index Inv	17.71
Fidelity Spartan Total Market Index Inv	18.76
FMI Large Cap	18.42
Oakmark I	20.63
Oakmark Select I	18.63
PRIMECAP Odyssey Stock	22.03
Selected American Shares S	18.79
Vanguard 500 Index Inv	17.68
Vanguard Dividend Growth Inv	18.32
Vanguard Institutional Index I	17.78
Vanguard Tax-Managed Capital App I	18.52
Vanguard Tax-Managed Growth & Inc I	17.75
Vanguard Total Stock Mkt Idx Inv	18.73
Weitz Partners Value	20.03
Yackman Svc	19.04
Large Blend	17.57

# Parnassus Equity Income - Inv PRBLX

## Analysis

ceutical company Gilead Sciences <sup>nas</sup>, a top performer last year, has an "exceptional moat and exceptional management" but is no longer exceptionally undervalued, so it has dropped from the top 10 to a 2% core position. Valeant Pharmaceuticals VRX has been a great success for the fund, but its aggressive acquisition strategy increased its risk and the managers recently sold it.

Procter & Gamble PG was the top holding at the end of April; the managers believe its moat derives from the premium prices its brands command globally, as well its ability to develop innovative products. Recent purchase Mondelez International MDLZ is a similar story. They are skeptical about retailers' ability to sustain moats, and the fund has little in consumer cyclicals.

### Performance Pillar: Positive

Todd Ahlsten took over as sole manager in 2002 and owned an excellent 10-year record when Ben Allen came on in May 2012. Ahlsten got off to rocky start with an ill-timed cash stockpile and some poor picks. But he foreswore cash bets and Parnassus began building its research team in earnest. (Allen joined as a senior research analyst in 2005.) This fund now boasts one of the best records in its category.

The fund did lag in 2010; Ahlsten says a number of his high-quality names surged in the fourth quarter of 2009 and then fell behind riskier names that led in 2010. But he has met his goal of staying competitive on the upside while minimizing downside risk. Over the past 10 years through April 30, the fund has captured 88% of the upside of the S&P 500, but only 76% of its downside. That translates to a 9.1% annualized 10-year return for this fund, versus 7.9% for the S&P 500.

It is worth noting that Ahlsten made an excellent call by avoiding financials before the crisis, and the fund's 2008 performance is a big part of its success. However, the fund has beaten its average peer since 2009.

Allen has helped continue the streak: The fund's 21.3% one-year return through April is among the best in the category. While Ahlsten is responsible

for the top performer, Gilead Sciences <sup>nas</sup>, Allen's industrials picks such as Waste Management WM contributed significantly.

### People Pillar: Positive

Lead manager Todd Ahlsten is Parnassus' chief investment officer. He joined the firm as a research analyst in 1995 and became director of research in 1998. Ahlsten began comanaging this fund with Parnassus' founder Jerome Dodson in 2001. He took over as sole manager in 2002 and has earned excellent results since. According to fund filings, Ahlsten has more than \$1 million invested here; he reports that most of his liquid net worth is in the fund and that he has never sold a share.

Ben Allen joined as comanager on May 1, 2012, and is Parnassus' director of research. Allen started at Parnassus as an analyst in 2005 and was part of a three-manager team that earned a nice record at Parnassus Mid Cap PARMX from October 2008 through April 2012.

While Ahlsten has final say on picks, each manager is responsible for half of the fund's 40 or so holdings. (Because Parnassus' managers and analysts provide support across the fund lineup, Allen had been covering a number of the names before coming on as comanager.) Ahlsten generally covers health-care and technology stocks, while Allen favors industrials and business services.

Ahlsten and Allen are part of a 15-member investment team, which together provides research for all the funds in the lineup. The team has been growing steadily, gaining three members over the past year.

### Parent Pillar: Positive

Parnassus Investments is an employee-owned company founded by Jerome Dodson in 1984. It launched its seventh fund, an Asia fund, at the end of April 2013. While a foreign fund is a first, the firm has not grown recklessly; the last time it launched a new fund was in 2005. The firm has also steadily built its investment team and has a 100% manager-retention rate. The portfolio managers are promoted from the analyst ranks, and

analysts often start as interns.

The funds invest only in securities that pass its environmental, social, and governance screens. From there, the team finds companies with relevant products, sustainable competitive advantages, quality management, and ethical practices, and it buys when the stock is undervalued. The fixed-income fund starts with duration and yield-curve positioning but also leverages equity research for security selection.

In recent years, Parnassus has made a concerted effort to attract 401(k) and institutional clients, which has resulted in steady, but manageable, inflows. Most have gone to Parnassus Equity Income PRBLX, which has excellent long-term risk-adjusted performance. The other funds range from sound to above average. Three of the seven funds, accounting for more than 90% of assets, have manager investment greater than \$1 million. The funds' board of directors is experienced and has negotiated average fees overall.

### Price Pillar: Positive

This fund's 90-basis-point expense ratio is below-average for large-cap no-load funds.

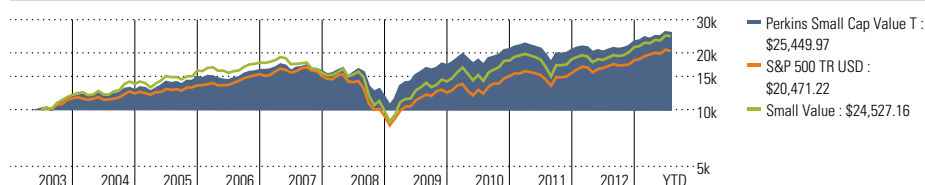
Except for a blip up to 1.04% in 2004 (which Morningstar criticized at the time), the fund's expenses have always been reasonable. As the fund's asset base has grown, its net expense ratio has decreased over the past two years.

Institutional shareholders also get a good deal. Requiring a minimum investment of only \$100,000, the share class charges 68 basis points a year. That is below-average for the large-cap institutional peer group.

# Perkins Small Cap Value T JSCVX

**Morningstar Analyst Rating**  
 Silver

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
24.16	↓-0.48   -1.95	1.09	2.6	Limited	\$2,500	None	1.04%	★★★	Small Value	Large Growth

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks capital appreciation. The fund invests primarily in the common stocks of small companies whose stock prices are believed to be undervalued by the fund's portfolio managers. It invests, under normal circumstances, at least 80% of its net assets in equity securities of small companies whose market capitalization, at the time of initial purchase, is less than the 12-month average of the maximum market capitalization for companies included in the Russell 2000® Value Index. The fund may invest up to 20% of its net assets in cash or similar investments.

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,722	9,860	12,311	14,741	15,976	25,255
Fund	17.22	-1.40	23.11	13.81	9.82	9.71
+/- S&P 500 TR USD	-0.57	0.44	3.06	-5.25	2.00	2.31
+/- Category	-4.43	-0.24	-7.04	-5.53	0.14	-0.02
% Rank in Cat	93	59	92	94	37	54
# of Funds in Cat	370	383	361	295	252	152

\* Currency is displayed in USD

**Top Holdings** 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Owens & Minor, Inc.	2.51	34.75 USD	-1.64 ↓	26.97 - 36.40
⊕ Hill-Rom Holdings, Inc.	2.20	33.97 USD	-3.14 ↓	26.29 - 38.84
⊕ Casey's General Stores, Inc.	2.11	65.79 USD	-3.22 ↓	46.15 - 70.01
⊖ Fulton Financial Corp	1.96	12.09 USD	-3.20 ↓	9.22 - 13.08
⊕ Home Properties, Inc.	1.90	58.60 USD	-0.76 ↓	56.85 - 67.79
% Assets in Top 5 Holdings	10.69			

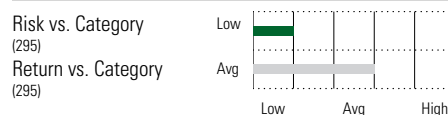
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 06-30-2013

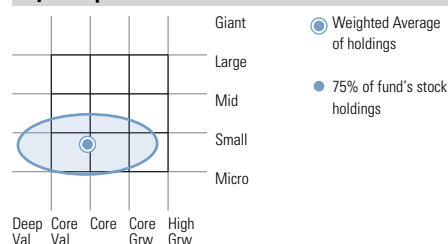
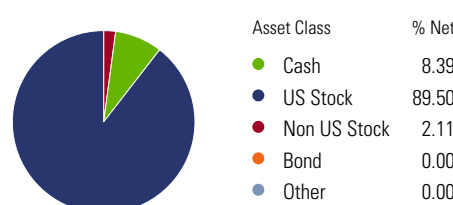
	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	27.76	27.86	26.18	21.83	■ Fund ▼ Cat Avg
Industrials	16.85	18.83	13.21	17.08	
Healthcare	13.36	13.36	9.57	5.54	
Technology	11.06	11.06	9.03	14.11	
Consumer Cyclical	9.61	10.67	9.61	14.38	

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2012-12-20	21.18	0.9000	0.0000	0.0000	0.2800	1.1800
2011-12-22	20.50	1.9000	0.8600	0.0000	0.0500	2.8100
2010-12-20	23.80	0.6100	0.0000	0.0000	0.0900	0.7000
2009-06-24	16.40	0.0000	0.0000	0.0000	0.0500	0.0500
2008-12-12	14.69	1.6200	0.0000	0.0000	0.3100	1.9300

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	Silver

**Style Map**

**Asset Allocation**

**Management**

Tom Reynolds  
 Start Date: 2013-04-01

# Perkins Small Cap Value T JSCVX

## Analysis

### This fund's Morningstar Analyst Rating has dropped to Silver from Gold.

By Katie Rushkewicz Reichart, CFA 7/23/2013

A manager change has lowered our conviction in Perkins Small Cap Value.

Todd Perkins, who comanaged this fund since 2004, left the firm in March after nearly 15 years. As the heir apparent to this fund, which he ran with his father and firm founder, Bob Perkins, the departure is surprising.

His exit isn't as jarring as it could have been given the firm's team structure. The elder Perkins, who's led the fund to a strong record since its 1987 inception, remains. So does Justin Tugman, who was named comanager in 2009 but only recently began devoting all his time to this fund (he covered energy stocks until a new analyst was hired in 2011). A similar transition will occur with Tom Reynolds, a financials analyst promoted to fill the empty comanager spot. Reynolds, who joined the firm in 2009, was a likely candidate given that financials consume such a large portion of the fund's benchmark. He'll spend most of his time on financials until a replacement is hired and gets up to speed, a process that, if similar to the energy sector, could take a while.

The manager change coincides with a stretch of underperformance. Despite a 13% annualized gain for the three-year period through July 17, the fund has lagged its benchmark and 95% of its peers. Given the fund's emphasis on downside protection, it's not too surprising that it's had a hard time keeping up in a rising market.

While the fund's short-term record is no reason to worry, the changes on the investment team bear watching. Tugman's tenure as comanager is relatively short, and it's hard to know how Reynolds will perform. According to Morningstar attribution, stock-picking in financials (Reynolds' sector) has detracted from the fund's performance since he joined the firm. The presence of veteran manager Bob Perkins provides stability for now, though he is of retirement age. (He has announced no plans to step down.)

The firm hasn't had other employee turnover, and its process and long-term results remain solid. But our conviction in the fund is lower than before, resulting in a drop to Silver from Gold.

#### Process Pillar: Positive

Perkins' value-conscious investment approach spans the shop's lineup, but this isn't a deep-value fund. The managers don't buy stocks just because they look cheap, and they analyze the potential for loss before considering possible gains. Portfolio candidates must have strong free cash flows, reasonable debt levels, and healthy balance sheets. This risk-conscious approach has protected capital better than peers and the benchmark in down markets and has resulted in lower volatility.

Years ago, the fund held 70-80 stocks, but, aiming to guard against liquidity and individual-stock risk, the managers now target a portfolio of 90-110 positions. Assets have grown through the years; at \$2.5 billion under management, the fund is one of the category's larger actively managed offerings, though it is closed to new retail investors. In recent years, the portfolio's average market cap has exceeded that of the Russell 2000 Value Index and most of its peers'.

The managers typically hold some cash to take advantage of buying opportunities during market dips. In recent years it's been as high as 20% of assets, but the fund has been almost fully invested at other times, including when valuations were near historic lows in early 2009. The cash stake (10% of assets as of March 2013) can weigh on performance, as has been the case for the trailing three years through mid-July.

Given the team's valuation discipline, sector weightings can look quite different from the Russell 2000 Value Index. The fund's energy stake surpassed the benchmark's for much of the past decade, with the team focusing on undervalued, disciplined firms with good operating histories. However, the energy stake has been a headwind in recent years, particularly as natural gas prices bottomed. The fund has scaled back exposure in 2013. The managers have sold smaller-cap names with weaker balance sheets and focused on

### Morningstar's Take

Morningstar Analyst Rating



#### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Positive

#### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	17.22	-4.43
2012	8.99	-7.01
2011	-3.43	1.03
2010	17.87	-8.29
2009	36.59	5.27

#### Analyst Favorites by Category

	YTD Return %
DFA US Small Cap Value I	24.87
DFA US Targeted Value I	24.86
Diamond Hill Small Cap A	26.69
Small Value	21.65

# Perkins Small Cap Value T JSCVX

## Analysis

stronger players with larger market caps, such as Whiting Petroleum WLL. The fund has regularly had a smaller financials stake than the benchmark (where it consumes a huge chunk of assets), though the gap has narrowed recently. Although the managers have tried to focus on high-quality banks, stock-picking in the sector has struggled, with picks such as First Niagara FNFG weighing on returns. They upped the fund's REITs exposure a bit on weakness, but it remains below the benchmark because of overall valuations within the sector. The fund remains overweight in health care and consumer staples while staying relatively light on consumer discretionary names. There have been some misfires in that sector, such as RadioShack RSH, where the managers didn't adequately assess the business' secular headwinds--something they're now working into their process. The fund owns no utilities, as regulation and leveraged balance sheets dim their appeal.

### Performance Pillar: Positive

The fund is one of the oldest and best in the small-value category. Its 12.7% annualized gain since its 1987 inception through July 17 sits near the category's top and surpasses the Russell 2000 Value Index by 2.3 percentage points. The fund's conservative nature has made it a good vehicle for tough markets, losing just 80% as much as the benchmark in downturns and exhibiting lower volatility than peers. Providing a better cushion than most peers, the fund outperformed average rivals and its benchmark during both of the past decade's bear markets. It lost a bit less than most peers in 2011's downturn as well.

While the fund often shows resilience in downturns, it doesn't always keep pace with the category's leaders during rallies. It landed in the peer group's bottom decile in 2010 and 2012, and it lagged the benchmark and peers in 2013's first half. As a result, its 13% trailing three-year return through July 17 lags 95% of peers. The fund's cash stake, which has ranged from 10%-17% of assets during that stretch, has weighed on results. It's also had trouble with some picks in the energy, financials, and consumer discretionary sectors.

The fund's conservative nature occasionally leads to middling relative performance over a multiyear stretch, but long-term risk-adjusted results remain solid.

### People Pillar: Positive

In March 2013, Todd Perkins, a comanager since 2004, stepped down from the fund after nearly 15 years at the firm. The firm says he decided to leave the investment industry. While his departure is a loss, there is some consistency on the team. His father, Bob Perkins, who co-founded the firm in 1980 and has run this fund since its 1987 inception, remains, as does Justin Tugman, who joined the firm in 2004 as an energy analyst and was promoted to comanager in 2009.

Tom Reynolds, who joined Perkins in 2009 as a financials analyst, will eventually fill Todd Perkins' seat. For now, he continues focusing on financials stocks until the firm hires a new analyst and gets that person up to speed, a process that could take a while. (All members of the investment team must agree on a new hire.) Tugman, for example, only recently stopped covering energy firms after his replacement was hired in 2011.

Besides this recent departure, the team has been stable. It includes 18 analysts and managers who have sector specialties, including three people who focus on international stocks. There's a single value-oriented investment philosophy used across the firm's funds, and the shop enjoys a collaborative environment. In early 2013, Janus Capital Group bought the remaining 22.2% stake in Perkins Investment Management that it didn't previously own, but the shop continues to operate as an independent boutique.

### Parent Pillar: Neutral

Janus' corporate culture has taken another hit. The departure of three managers in May 2013 (including its two best-performing equity fund managers over the previous five years) triggered manager changes at six funds and marks the fourth time in the past decade that multiple managers have left the firm around the same time. Janus' fixed-income team and value-oriented subsidiary Perkins have been more stable, but the equity team con-

trols roughly two thirds of Janus' mutual fund assets, even after hefty net redemptions in recent years.

The firm has also employed four CEOs (plus an interim one for eight months) since founder Tom Bailey stepped down from that position in June 2002. Current CEO Dick Weil came aboard in early 2010 and has made "investment excellence" one of his top priorities, but he also is trying to diversify the fund lineup as well as the client base. He recently hired Enrique Chang from American Century to become co-CIO of equities in September 2013. Under Chang, American Century's funds found favor with advisors, but the funds had a very buttoned-down investment style, which differs from Janus' typical approach.

The funds' fees are still fairly attractive, in part because the funds' board of directors has negotiated performance-based management fees. Janus' managers invest heavily in their funds, but some concerns about the firm's compensation plan and its ability to retain top talent exist.

### Price Pillar: Positive

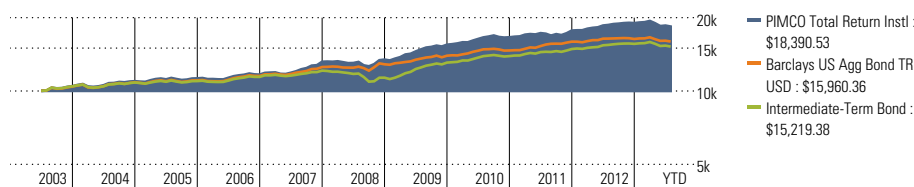
The bulk of the fund's assets resides in share classes that sport below-average expense ratios relative to similarly sold peers (C, I, R, and T). The A, D, L, and N share classes hold fewer assets and have low fee levels relative to their respective peer groups. The S shares are priced average relative to peers. A performance fee means that the fund's expense ratio can fluctuate based on how it's performed versus the benchmark during the past three years.



# PIMCO Total Return Instl PTTRX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
10.67	↓0.03   0.28	3.83	261.7	Open	\$1	None	0.46%	★★★★★	Intermediate-Term Bond	Large Growth Bond

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks maximum total return, consistent with preservation of capital and prudent investment management. The fund normally invests at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts, or swap agreements. It invests primarily in investment-grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality.

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,654	9,908	9,911	11,095	13,997	18,373
Fund	-3.46	-0.92	-0.89	3.52	6.96	6.27
+/- Barclays US Agg Bond TR USD	-0.38	-0.04	1.36	1.03	2.07	1.51
+/- Category	-0.61	0.04	0.15	0.34	1.40	1.65
% Rank in Cat	70	46	38	36	16	6
# of Funds in Cat	1,215	1,243	1,170	1,012	870	615

\* Currency is displayed in USD

**Top Holdings** 03-31-2013

	Weight %	Maturity Date	Amount Mil	Value Mil
⊖ Fin Fut Euro\$ Cme 06/15/15	12.56	06-16-2015	146,160.00	36,286.05
Irs Usd 3m/1.50000s 03/18/15-16 Cme	12.47	03-18-2016	35,754.00	36,018.73
Fin Fut Euro\$ Cme 12/14/15	8.55	12-15-2015	99,656.00	24,687.28
Fin Fut Us 10yr Cbt 06/19/13	3.16	06-20-2013	—	9,128.04
Fin Fut Euro\$ Cme 03/14/16	2.49	03-15-2016	29,021.00	7,179.43
% Assets in Top 5 Holdings	39.23			

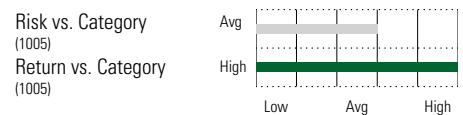
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 03-31-2013

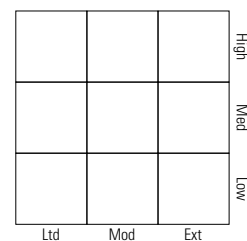
	Fund	BMark	Cat Avg	
Agency MBS Pass-Through	16.77	—	1.21	▲ Fund ▼ Cat Avg
Non-U.S. Government	14.62	—	1.54	
Corporate Bond	9.58	—	27.22	
U.S. Treasury	8.93	—	15.69	
U.S. Treasury Inflation-Protected	5.80	—	1.58	

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-07-31	10.79	0.0000	0.0000	0.0000	0.0200	0.0200
2013-06-28	10.76	0.0000	0.0000	0.0000	0.0200	0.0200
2013-05-31	11.07	0.0000	0.0000	0.0000	0.0300	0.0300
2013-04-30	11.34	0.0000	0.0000	0.0000	0.0300	0.0300
2013-03-28	11.24	0.0000	0.0000	0.0000	0.0300	0.0300

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★ Gold

**Style Map** 03-31-2010

**Bond Statistics**

	Value
Average Effective Duration (Years)	4.73
Average Effective Maturity (Years)	6.73
Average Credit Quality	Not Rated
Average Weighted Coupon	3.40
Average Weighted Price	—

**Asset Allocation**

	% Net	% Short	% Long	Bench mark	Cat Avg
● Cash	-50.35	66.47	16.12	—	6.13
● US Stock	0.00	0.00	0.00	—	0.02
● Non US Stock	0.00	0.00	0.00	—	0.06
● Bond	147.64	6.33	153.97	—	91.31
● Other	2.71	0.00	2.72	—	2.47

**Management**

	Start Date
William H. Gross	1987-05-11

# PIMCO Total Return Instl PTTRX

## Analysis

### Bumps in a long road of great success.

By Eric Jacobson 7/16/2013

It's too soon to harshly judge the missteps of PIMCO Total Return.

It's not conventional Treasuries that have been causing the bulk of trouble this time around, but rather Treasury Inflation-Protected Securities. Manager Bill Gross has long held a stake in the sector (12% in April 2013), and it proved sensitive to the spike in long-maturity yields that began in May 2013. Exposure to emerging-markets debt (8%) has hurt, as well. The fund tumbled 3.6% in the second quarter and sat in the category's bottom quartile for the year through June.

By contrast, the fund's 2011's troubles were about the Treasuries Gross didn't own. Credit-sensitive portions of the market were spooked by financial trouble in the European Union during that year's third quarter, and Treasuries rallied. Gross had slashed them earlier that year, which left the fund nursing a loss for the quarter as benchmarklike funds posted gains. That error put its mark on the fund's entire year; it placed in the category's bottom quartile.

Macro bets of those kinds have come to dominate the fund's high-level decision-making in recent years, and Gross' tool kit has narrowed some as the assets under his command have ballooned. The fund's sector successes, however, highlight the breadth and depth of skill and ability that sub-advisor PIMCO still brings the table. The fund had a much better 2012, for example, with a 10.4% gain. And while it did benefit from good Treasury yield-curve positioning, the fund scored the bulk of its outperformance in other markets. Both agency and nonagency mortgages made important contributions, for example, as did exposures to investment-grade corporates, junk bonds, and emerging-markets debt.

The fund's occasional stumbles may be particularly disappointing to investors who have come to expect perfection from this fund, but they're otherwise bumps in a long road of great success. Gross has continued to show, in both bull markets (2012) and bear (2008), that the fund can still excel. Its

solid longer-term returns and moderate volatility have combined to form an excellent record.

#### Process Pillar: Positive

Manager Bill Gross uses a mix of macroeconomic forecasting (supported by PIMCO's investment committee) and bottom-up analysis (supported by PIMCO's sector specialist desks) to determine interest-rate, yield-curve, currency, country, sector, and issue-level decisions. He has relied mostly on decisions at the sector level and above for many years given the enormous number of assets he manages across accounts with the same or similar mandates as this.

The breadth of Gross's tool kit is notable. Gross made significant interest-rate and yield-curve plays (to the fund's detriment) in 2011 and took on meaningful exposures to non-U.S. developed markets (roughly 18% in December of that year), emerging-markets debt (10%), and municipals (4%) relative to its benchmark, the Barclays U.S. Aggregate Bond Index. It was also more adventurous than most in the intermediate-term bond peer group. It's difficult to quantify the fund's use of derivatives, but while they've been cutting back lately, it's clear that Gross and PIMCO have historically used as many or more--in both variety and volume--than just about any of their competitors. The level of analytical research and operational support backing theses is intense. That the fund has survived a number of trying market periods without its derivative exposures creating unexpected problems is a testament to the effectiveness of those efforts.

In the months leading up to the latest sell-off, PIMCO had argued that most asset classes were fully valued, and the portfolio looks more conservative than it has in a while, hewing closer to the Barclays U.S. Aggregate. As of May 31, 2013, its duration was slightly short of the benchmark, its Treasury-sector focus was on intermediate maturities, and its investment-grade credit exposure was light relative to the bogy at 6% (versus 22%). The fund had also slashed to 34% what had been a mortgage bet that peaked at 53% in April 2012. Meanwhile, the fund's out-of-index exposures have lessened for more than a year. Its combined

### Morningstar's Take

Morningstar Analyst Rating



#### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

#### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

#### Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	-3.46	-0.61
2012	10.36	3.35
2011	4.16	-1.70
2010	8.83	1.11
2009	13.83	-0.14

#### Analyst Favorites by Category

	YTD Return %
Dodge & Cox Income	-1.45
Fidelity Total Bond	-2.71
Harbor Bond Instl	-3.25
Loomis Sayles Investment Grade Bond A	-2.37
Managers PIMCO Bond	-3.65
Metropolitan West Total Return Bond M	-1.66
Vanguard Total Bond Market Index Inv	-3.10
Intermediate-Term Bond	-2.85

# PIMCO Total Return Instl PTTRX

## Analysis

allocation to high-yield, non-U.S. developed-markets, and emerging-markets debt clocked in at 17% in May.

That contrasts with an intrepid and active 2011. The fund's duration ranged between three and five years during the first half of that year, and manager Bill Gross hiked it to seven years by September, keeping it in that range through the end of 2011. That large number--the fund's benchmark was around five years for most of that stretch--didn't tell the whole story. Gross still had a yield-curve bet in place, banking on a widening between short- and long-term yields, which kept a lid on the fund's exposure to long-maturity Treasuries. Meanwhile, much of the fund's excess duration came from non-U.S. bets. At the end of 2011, for example, the fund held 18% in non-U.S. developed markets.

### Performance Pillar: + Positive

The fund had a tough 2011, in contrast to its long record of outperformance. Manager Bill Gross had kept the fund's duration and government-bond exposure muted, worrying that long-maturity Treasury valuations were too rich. That began to hurt during the year's second quarter as Treasuries rallied; the pain worsened dramatically in the third quarter. The portfolio lost 1.1% during that stretch, while its benchmark galloped to a 3.8% gain; a dearth of long Treasury exposure, paired with some of the fund's risk exposures, was the primary cause. That was among the worst margins by which PIMCO's Total Return strategy has trailed the Barclays U.S. Aggregate Bond Index in a quarter; 2011 was also its worst year relative to that benchmark.

The fund turned in better gains in 2012, posting a 10.4% return. Its yield-curve bet worked well, and the fund picked up excess returns over its benchmark from a broad range of its sector exposures. The fund has stumbled again in the first half of 2013, though, in part because of a spike in long-maturity yields that hit its TIPS allocation especially hard.

Stalwarts can take heart. Despite the ugliness of its recent troubles, the fund's longer record re-

mains among the category's best. The fund has fallen behind before, if only infrequently, and each time Gross has found a way to get back to producing some of the best performance in the intermediate-term bond category.

### People Pillar: + Positive

Bill Gross has managed this fund since inception with excellent results. He has won Morningstar Fund Manager of the Year accolades three times and is the reigning Morningstar Fund Manager of the Decade for bond funds. Once a bond-by-bond picker of corporate-debt securities, Gross' expertise evolved over the past 40 years, and today he is a titan in the world of investing across fixed-income sectors such as mortgages, corporates, and governments. One of his greatest strengths has been an ability to adapt to the challenges of size, in particular, as this strategy's massive asset base has grown.

PIMCO's staff has tremendous depth, boasting world-class practitioners and intellects across its investment committees and specialist desks, as well as a true global reach with strong integration across physical domiciles. There's reason to retain great confidence in the various teams here, as well as the process of critical analysis and debate that Gross and co-CIO Mohamed El-Erian attempt to foster. Skeptics will note that the firm's macro bets have been mixed in recent years, and the firm has seen changes in the makeup of its investment committees and specialist teams (that have resulted in a bevy of newer and younger members). It's rarely a good idea to count out Bill Gross, but it is fair to ask whether the firm's other shifts will ultimately prove to be for the better.

### Parent Pillar: + Positive

PIMCO boasted more than \$1.9 trillion in assets under management as of September 2012. The firm has long been dominated by cofounder Bill Gross, who manages PIMCO Total Return PTTRX and serves as the firm's co-CIO. Gross and his colleagues have long employed some of the most complex tools in its portfolios and have produced some of the industry's best results.

One of the keys has almost certainly been Gross'

decision to stay on the investing side of the business without distracting himself with CEO duties. That has translated to an investment culture that has survived the firm's growth and expansion. Gross' singular influence has a flip side, though, in the form of key-man risk. PIMCO has a deep bench to take up the slack in the event that Gross were to leave. Few other skippers have shown a yen for managing as much money as Gross, though. It's also unclear whether investors might choose to leave PIMCO in his absence.

Meanwhile, PIMCO does have blind spots. The growth of its flagship Total Return offering has made Gross' job more difficult. The fund has maintained a strong record, but it remains unclear when such growth might take its future success beyond the realm of difficult to prohibitive. Costs are an issue, too: The average percentile ranking of expenses across classes clocks in at 50. That number could be better given the enormous size of the firm's asset base.

### Price Pillar: + Positive

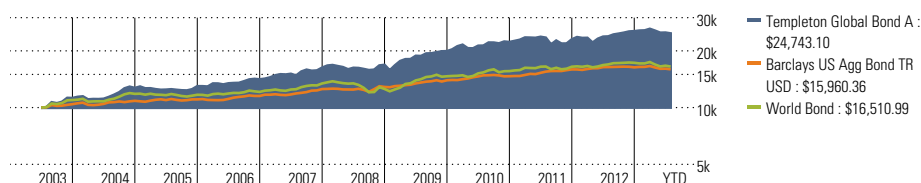
At first blush, the fund's annual expense bite at 0.46% certainly looks reasonable. It's a lot lower than most retail fund classes and even clocks in below average among other institutional funds of its ilk. But we're talking about the largest mutual fund in the world here, with close to \$270 billion in assets. PIMCO's decision to actually raise the fund's price from 43 basis points a couple of years ago looked downright greedy. The bottom line is that the fund's institutional price tag is fair, but a little difficult to justify for such a large portfolio.



# Templeton Global Bond A TPINX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
12.66	↓-0.10   -0.78	5.38	69.7	Open	\$1,000	4	0.89%	★★★★★	World Bond	Large Growth

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks current income with capital appreciation and growth of income. Under normal market conditions, the fund invests at least 80% of its net assets in "bonds." Bonds include debt securities of any maturity, such as bonds, notes, bills and debentures. It invests predominantly in bonds issued by governments and government agencies located around the world. The fund may invest up to 25% of its total assets in bonds that are rated below investment grade. It regularly uses various currency related transactions involving derivative instruments. The fund is non-diversified.

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	9,768	9,801	10,319	11,581	15,271	24,823
Fund	-2.32	-1.99	3.19	5.01	8.84	9.52
+/- Barclays US Agg Bond TR USD	0.76	-1.11	5.44	2.52	3.95	4.75
+/- Category	2.41	-0.73	5.36	2.58	4.06	4.22
% Rank in Cat	23	80	4	6	1	1
# of Funds in Cat	378	403	349	255	206	122

\* Currency is displayed in USD

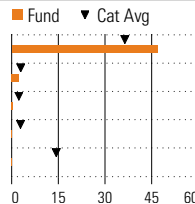
**Top Holdings** 06-30-2013

	Weight %	Maturity Date	Amount Mil	Value Mil
Ireland(Rep Of) 5%	2.88	10-18-2020	1,419.02	1,981.90
Ireland(Rep Of) 5.4%	1.49	03-13-2025	723.01	1,023.27
✱ Canada Govt	1.47	02-01-2015	1,061.94	1,007.02
Hungary Rep 6.375%	1.41	03-29-2021	927.20	970.08
Korea Monetary Stab Bond	1.24	02-02-2015	975,821.95	852.46
% Assets in Top 5 Holdings	8.49			

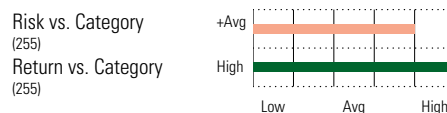
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 06-30-2013

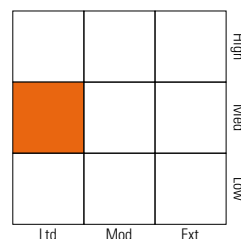
	Fund	BMark	Cat Avg
Government	46.89	—	35.10
Agency/Quasi-Agency	2.43	—	1.64
Supranational	0.33	—	1.03
Other Government Related	0.00	—	1.55
Corporate Bond	0.00	—	13.04


**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-08-15	12.86	0.0000	0.0000	0.0000	0.0400	0.0400
2013-07-15	13.04	0.0000	0.0000	0.0000	0.0400	0.0400
2013-06-17	13.08	0.0000	0.0000	0.0000	0.0400	0.0400
2013-05-15	13.69	0.0000	0.0000	0.0000	0.0400	0.0400
2013-04-15	13.58	0.0000	0.0000	0.0000	0.0400	0.0400

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	+	Positive
Performance	+	Positive
People	+	Positive
Parent	+	Positive
Price	+	Positive
Rating		Gold

**Style Map** 06-30-2013

**Bond Statistics**

	Value
Average Effective Duration (Years)	1.56
Average Effective Maturity (Years)	2.42
Average Credit Quality	BBB
Average Weighted Coupon	5.36
Average Weighted Price	—

**Asset Allocation**

	% Net	% Short	% Long	Bench mark	Cat Avg
Cash	51.15	0.00	51.15	0.00	19.91
US Stock	0.00	0.00	0.00	0.00	0.01
Non US Stock	0.00	0.00	0.00	0.00	0.20
Bond	46.96	0.37	47.32	100.00	79.17
Other	1.90	0.00	1.90	0.00	0.70

**Management**

	Start Date
Sonal Desai	2011-01-01

# Templeton Global Bond A TPINX

## Analysis

### Tenacious.

By Karin Anderson 7/11/2013

Moving at a glacial pace serves Templeton Global Bond very well.

Michael Hasenstab has been able to make the occasional speedy move when necessary, but the portfolio's distinguishing traits have been in place for much of the past five years. He's avoided the United States, eurozone, United Kingdom, and Japan, which dominate the widely used Citigroup World Government Bond Index, opting instead for emerging-markets issues and currencies given those countries' better fiscal prospects. When it comes to currency plays, Hasenstab prefers to be early and ride out rough patches rather than go after already strengthening currencies. One example was his decision to begin shorting the Japanese yen more than three years ago, which he sees as a benefit when U.S. interest rates eventually go up. His long-time concern about global inflation pressures has meant he's kept the fund's duration short (under two years) since early 2011.

Those positions have struggled at various times throughout the period, but Hasenstab's resolve has paid off overall. Its emerging-markets exposure has generally been hammered in risk-off markets like 2011's third quarter and May and June 2013. But many of those positions helped the fund surge ahead when investors regained their risk appetites, as was the case throughout much of 2012. The short yen trade worked against the fund in 2010 and 2011 before starting to deliver last year, as well. The short duration stance has started to pay off in the past couple of months after generally hurting in recent years as interest rates have come down in many markets.

The unique profile that results from Hasenstab's approach has caused the fund to move in sync with riskier assets, so investors shouldn't be looking to this offering for portfolio protection. But he's proved a knack for building sound investment themes and an ability to find the right bargains among sovereign bonds and currencies. That combination has smoked the world-bond competition and index over the long term. Hasenstab's experience and well-resourced team make this a tough

act to follow.

**Process Pillar:**  Positive

Michael Hasenstab doesn't construct this portfolio with traditional issuance-weighted global-bond benchmarks in mind, which are skewed toward the world's most-indebted developed markets. Instead, he and his team aim to identify value among currencies, sovereign credit, and interest rates in countries with healthy or improving fundamentals that they think the market doesn't appreciate.

That contrarian-minded group attempts to find these opportunities early on and then watch as their theses unfold over several years. The fund has held a double-digit stake in South Korea's government bonds since 2004, for example. Hasenstab doesn't require fiscal perfection, either, just improving trends. In the third quarter of 2011, he established a position in Ireland's government debt (8.7% as of March 31, 2013), arguing that Irish authorities have made strides toward fiscal sustainability that were not priced in. Hasenstab allows currency plays to unfold over multiyear periods as well. For more than three years, he's maintained a short Japanese yen position (negative 15.9% as of March 31) as a hedge against an eventual rise in U.S. interest rates. Over the same time frame Hasenstab has shorted the euro (negative 29.4% as of March 31) while buying a group of peripheral European currencies including the Swedish krona and Polish zloty, as he believes those countries have stronger relative fundamentals.

The portfolio's main themes remain in place. One is Hasenstab's avoidance of low-yielding developed sovereign debt of countries hindered by overindebtedness and ineffectual policymaking. Another is a heavy focus on short-dated bonds. Hasenstab believes that the loose monetary policy maintained by the developed world's central banks should ultimately increase inflationary pressures globally. As a result the fund's duration has been below two years since early 2011, one of the lowest levels in the world-bond category, and its cash stake has hovered in the midteens for more than a

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	-2.32	2.41
2012	15.81	7.72
2011	-2.37	-5.77
2010	12.68	6.33
2009	18.86	5.74

### Analyst Favorites by Category

	YTD Return %
World Bond	-4.73

# Templeton Global Bond A TPINX

## Analysis

year. Longstanding currency bets including short yen and euro exposures remain as well. Hasenstab continues to concentrate on well-run economies with direct and indirect exposure to China's economic strength, both in Asia (South Korea and Indonesia) and Europe (Hungary and Poland). He also has a penchant for countries tied to the commodity cycle such as Chile (3.6% currency) and Malaysia (8.3% bonds, 12.9% currency) which he sees offering a hedge on eventual inflation. While not much changes on a year-to-year basis, Hasenstab's attention to valuations has him going after the occasional bargain and trimming winners. For instance, he cut the fund's strong-performing Australia exposure by more than half to 4% over the past year. And he added a 4% position in Canadian sovereign debt, which he found more attractively priced given commodities' sell-off.

### Performance Pillar: + Positive

While the fund was down 1.5% for the first six months of 2013, it was in better shape than 85% of world-bond funds. From January through April, strong performance from its emerging-markets positions pushed its 3.3% return well ahead of the 0.6% world-bond average and the developed-markets focused Citigroup World Government Bond Index's 1.7% loss. It slipped by 4.6% in May and June, though, as many of those same emerging-markets positions sold off. The index fell by 4%, but the fund didn't fare as poorly as its typical peer (down 5.4%) as its short duration stance worked in its favor.

The emerging-markets-heavy, short-duration positioning has hurt the fund more severely in the past, which was the case when it slid by 7.8% during 2011's third quarter. And the fund continues to court plenty of individual country and currency risk. Manager Michael Hasenstab has positioned the portfolio for continued economic strength in China. Given this, a China-fueled sell-off could send many of the fund's positions reeling, including the sovereign bonds and currencies of its trading partners, as well as those linked to the commodity cycle. However, Hasenstab's macro calls and patience with his positions have handsomely rewarded investors here. The fund's trailing returns, including

a 9% annualized gain for the past decade through June 30, have been among the very best in the world-bond category.

### People Pillar: + Positive

Michael Hasenstab began his career at Franklin Templeton in 1995 as an emerging-markets sovereign credit analyst, then left to get a doctorate in economics from Australian National University, where he focused on Asia, before rejoining the firm in 2001 and becoming a comanager on this fund. Alex Calvo comanaged this fund with Hasenstab until 2006.

This fund's asset base has ballooned over the past five years, and Franklin Templeton now manages more than \$200 billion in global fixed-income, the majority of which is run by Hasenstab's team. Most of the core team of country analysts and portfolio managers, who are based in San Mateo, Calif., has been in place since 2005. But a few were added in 2008 and 2009. Sonal Desai, who conducted macroeconomic research at London hedge fund Thames River Capital, joined the group as its research director in late 2009, a role previously filled by Hasenstab. She became comanager on this fund in January 2011, though Hasenstab makes all final portfolio decisions.

This team hits the pavement when conducting its country research, meeting with local policymakers, business leaders, journalists, and others. The core group plus the broader team numbers more than 40 fixed-income professionals, including several managers and analysts located in Asia and Latin America.

### Parent Pillar: + Positive

Franklin Resources is the parent of three mutual fund families: Franklin, Mutual Series, and Franklin Templeton. Morningstar has a positive outlook on the firm, but there are signs that some of its strength has eroded.

This family's offerings represent a wide range of strategies with solid long-term results and tenured managers. Just more than 50% of mutual fund assets are in offerings run by managers with tenure of 15 years or more. Fees often are cheap

compared with similar peers.

That said, there are a few potential trouble spots. Franklin Templeton funds, largely run out of offices in Florida and the Bahamas, have experienced a number of portfolio manager and analyst departures over the past five years. These departures have come as a number of funds in the Franklin Templeton lineup have turned in lackluster long-term returns and experienced sizable outflows.

Furthermore, Franklin's broader asset inflows have been lopsided lately. Over \$14.4 billion flowed into Templeton Global Bond TPINX during 2011's first three quarters. That money could head for the exits just as quickly if performance lags or equities regain favor.

Taken as a whole, Franklin Resources has been an adequate steward of capital. But if the concerns above blossom into bigger problems, the firm will have much to improve on.

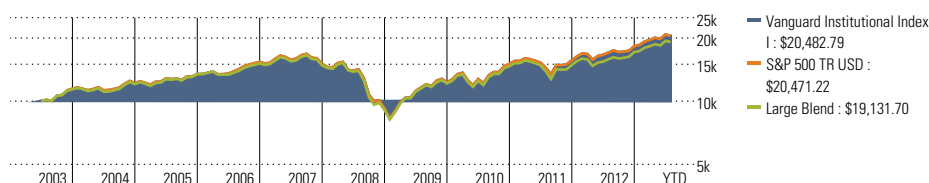
### Price Pillar: + Positive

Investors in this fund's front-load share class are getting a good deal. Fees have come down from more than 1.00% annually as assets have swelled over the past five years. Now the fund's 0.89% expense ratio is one of the lowest for world-bond funds in this distribution channel.

# Vanguard Institutional Index I VINIX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
149.78	↓-2.42   -1.59	1.99	142.9	Open	\$5	None	0.04%	★★★★	Large Blend	Large Growth

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the Standard & Poor's 500 Index, a widely recognized benchmark of U.S. stock market performance that is dominated by the stocks of large U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,778	9,816	12,003	16,866	14,588	20,422
Fund	17.78	-1.84	20.03	19.03	7.84	7.40
+/- S&P 500 TR USD	-0.02	0.00	-0.03	-0.02	0.03	0.01
+/- Category	0.21	-0.42	-0.74	1.58	0.91	0.38
% Rank in Cat	46	69	52	22	25	32
# of Funds in Cat	1,600	1,674	1,548	1,351	1,222	764

\* Currency is displayed in USD

**Top Holdings** 07-31-2013

	Weight %	Last Price	Day Chg %	52 Week Range
Apple Inc	2.83	488.59 USD	-2.86 ↓	385.10 - 705.07
Exxon Mobil Corporation	2.78	86.82 USD	-0.31 ↓	84.70 - 95.49
Johnson & Johnson	1.75	86.17 USD	-1.55 ↓	66.85 - 94.42
General Electric Co	1.68	23.18 USD	-1.82 ↓	19.87 - 24.95
Chevron Corp	1.63	118.81 USD	-0.03 ↓	100.66 - 127.83
% Assets in Top 5 Holdings	10.66			

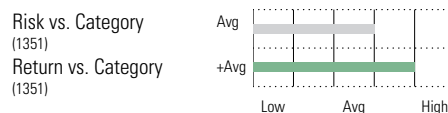
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 07-31-2013

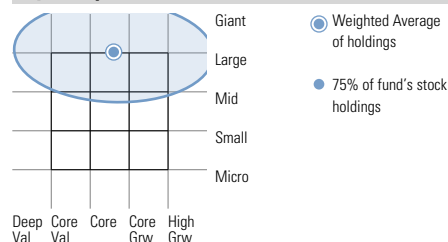
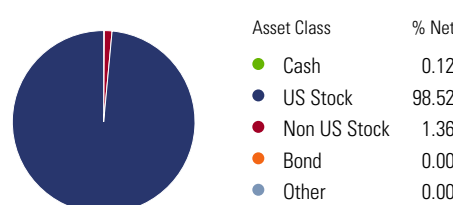
	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	16.53	17.45	16.57	15.97
Financial Services	15.51	15.40	12.43	15.93
Healthcare	12.88	12.63	11.67	12.98
Consumer Cyclical	11.61	11.62	9.35	11.41
Energy	10.55	12.16	10.52	9.86

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-06-27	147.70	0.0000	0.0000	0.0000	0.7800	0.7800
2013-03-27	143.10	0.0000	0.0000	0.0000	0.6700	0.6700
2012-12-26	129.91	0.0000	0.0000	0.0000	0.9200	0.9200
2012-09-27	132.54	0.0000	0.0000	0.0000	0.7100	0.7100
2012-06-28	121.70	0.0000	0.0000	0.0000	0.6300	0.6300

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	Positive
Performance	Positive
People	Positive
Parent	Positive
Price	Positive
Rating	Gold

**Style Map**

**Asset Allocation**

**Management**

Donald M. Butler	Start Date
	2000-12-31

# Vanguard Institutional Index I VINIX

## Analysis

### This fund offers low-cost, efficient tracking of the S&P 500.

By Michael Rawson 10/29/2012

Vanguard Institutional Index provides low-cost, indexed-based exposure to the large-cap U.S. equities in the S&P 500 Index. The S&P 500 Index is cited as a bellwether for the economic health of the nation and the index is dominated with household names such as Apple AAPL, Exxon Mobil XOM, and General Electric GE. Investors have a number of options for exposure to the S&P 500. The appeal of this fund is the low expense ratio and historically tight, efficient tracking to the index. Over the past 10 years, the fund has actually beaten the index by 1 basis point, while tracking error has averaged just 3 basis points. In terms of index fund management, no one has done it better. Hence its Gold rating.

The dividend yield on the S&P 500 is currently around 2.2%. While that is below the average over the past 60 years of about 3%, the dividend yield is still higher than the 1.7% yield on the 10-year U.S. Treasury notes, a situation that bodes well for stocks. In addition, the dividend yield may hold up even if we enter a recession, as the payout ratio is low at only 30%. In addition, S&P 500 companies have strong balance sheets and have diversified revenue streams as many derive a significant portion of their earnings overseas. However, not all valuation metrics look attractive. At 22 times, the Shiller P/E is above its long-term average.

One criticism of the market-cap weighting approach is that it tends to overweight overpriced segments of the market in a pro-cyclical fashion. On the other hand, the efficient market hypothesis suggests that it is difficult to consistently outperform the index, net of fees.

Unlike Vanguard 500 Index Fund Admiral Shares VFIAX, this fund has only mutual fund share classes and does not offer an ETF share class. The ETF share class provides another avenue to increase tax efficiency. However, this fund has not issued a capital gains distribution in more than 10 years, as the low turnover of the index and Vanguard's experienced management have allowed the fund to remain tax efficient.

### Process Pillar: Positive

As an index fund, this fund tries to replicate the index as closely as possible while keeping costs to a minimum. The fund employs full replication, holding essentially all of the securities in the index at very close to their index weightings. The fund may engage in share lending to offset costs and use futures contracts to efficiently manage cash in the portfolio and improve performance on the margin. Vanguard's precision with which it manages the fund has resulted in performance and tracking that is spot on the index. The fund will be fully invested at all times, so cash is kept to a minimum and typically accounts for less than 0.50% of the fund. Turnover is around 5%—much less than the category average of 71%. Low turnover helps improve tax efficiency and reduce transactions costs.

The index excludes most mid-caps and all small- and micro-cap stocks, resulting in coverage of only about 75% of the U.S. equity market. While holding approximately the 500-largest stocks in the U.S., S&P 500 Index constituents are technically determined by a committee that considers other factors in addition to size and domicile. For example, at least 50% of a company's shares must float publicly. While the index includes REITs and business development corporations, it excludes mortgage REITs such as Annaly Capital NLY. Index additions must also have four consecutive quarters of positive as-reported earnings. As a result of these factors, companies such as Las Vegas Sands LVS and General Motors GM are not members of the index. Despite these differences, the index has maintained nearly a perfect correlation with other large-cap indexes such as the Russell 1000 or MSCI Large Cap 300.

As a market-cap-weighted fund, the top 10 holdings account for about 21% of assets. The median market cap is about \$58 billion, below the category average. About 86% of the fund is in large- or giant-cap equities and just 14% in mid-caps. No sector accounts for more than 20% of the fund. Currently, technology is the largest sector in the index, making up about 18% of the index, down from 28% during the technology bubble. Finan-

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	17.78	0.21
2012	15.98	1.02
2011	2.09	3.36
2010	15.05	1.04
2009	26.63	-1.54

### Analyst Favorites by Category

	YTD Return %
American Funds Fundamental Invs A	15.87
Davis NY Venture A	19.69
Fidelity Spartan 500 Index Inv	17.71
Fidelity Spartan Total Market Index Inv	18.76
FMI Large Cap	18.42
Oakmark I	20.63
Oakmark Select I	18.63
PRIMECAP Odyssey Stock	22.03
Selected American Shares S	18.79
Vanguard 500 Index Inv	17.68
Vanguard Dividend Growth Inv	18.32
Vanguard Tax-Managed Capital App I	18.52
Vanguard Tax-Managed Growth & Inc I	17.75
Vanguard Total Stock Mkt Idx Inv	18.73
Weitz Partners Value	20.03
Yacktman Svc	19.04
Large Blend	17.57

# Vanguard Institutional Index I VINIX

## Analysis

cials make up about 13%, down from 18% before the financial crisis.

### Performance Pillar: Positive

This fund has one goal: track the performance of the S&P 500 Index as closely as possible. Aided by its low expense ratio, it's enjoyed remarkable success, too.

Over the past 10 years through September 2012, the fund has returned 8.02%, while the index has returned 8.01%. Sometimes you get more than you pay for and this fund is a case in point. Risk, as measured by volatility of return, has averaged 15.20%. One way to interpret that volatility is as a spread of possible outcomes. As a rule, investors should be prepared for losses of at least twice the volatility. For example, in 2008 the index lost 37%. By comparison, the Barclays Aggregate Bond Index returned 5.32% with a volatility of 3.60% over the same period. So for taking the higher risk in stocks, investors were compensated with higher returns.

Over long periods of time, stocks tend to outperform bonds but with greater risk. According to data from Ibbotson Associates, the inflation-adjusted equity-risk premium, which is the excess return on stocks over inflation, has averaged 6.7% per year over the past 85 years. That handily beat the 2.4% inflation-adjusted return of long-term bonds.

Absolute returns for the S&P 500 Index and, therefore, for this fund have been muted for some time now. Nonetheless, its consistently winning track record and low expense ratio bode well for its future success versus pricier rivals.

### People Pillar: Positive

Contrary to popular belief, management does matter at index funds, and nobody has done it better than the folks at Vanguard. Passive fund managers have to be familiar with a wide variety of trading techniques and situations—from securities lending and futures to index rebalancings and corporate takeovers—to ensure their funds stay close to their benchmarks.

Donald Butler has managed this fund since Dec. 31, 2000. He has been with Vanguard since 1992

and has managed investment portfolios since 1997. As of Dec. 31, 2011, Butler also managed nine other funds with total assets of \$145 billion.

### Parent Pillar: Positive

Vanguard has become one of the world's largest money managers by giving fund owners a fair deal and straight talk. Its challenge is not forgetting what got it there.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup—especially exchange-traded funds—and assertively advertised its wares in recent years. It has added subadvisors to some big active funds rather than closing them, which courts mediocrity. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

### Price Pillar: Positive

The fund's 0.04% expense ratio is among the lowest available, but it requires a \$5 million initial investment. That price tag is well below the large-blend category average of 1.19%. The fund's sister share class, VINIX, has a 0.02% expense ratio but a minimum investment of \$200 million. Fidelity Spartan 500 Index Advantage FUSVX charges 0.06% and has a \$100,000 minimum investment.

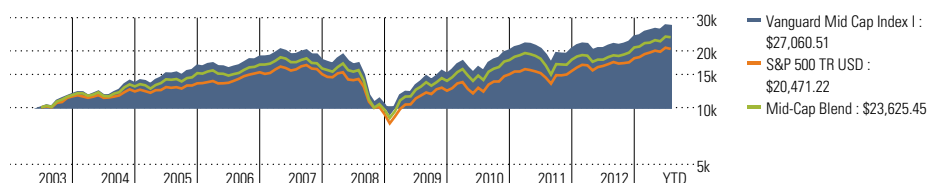
Vanguard S&P 500 ETF VOO is available for 0.05% with no investment minimum.



# Vanguard Mid Cap Index I VMCIX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
26.78	↓-0.53   -1.94	1.18	5.6	Open	\$5	None	0.08%	★★★★	Mid-Cap Blend	Large Growth

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Mid Cap Index, a broadly diversified index of stocks of mid-size U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	12,129	9,967	12,696	17,408	16,020	27,014
Fund	21.29	-0.33	26.96	20.30	9.88	10.45
+/- S&P 500 TR USD	3.50	1.51	6.91	1.24	2.06	3.05
+/- Category	0.84	0.16	-0.16	1.48	1.74	1.57
% Rank in Cat	42	39	50	37	21	14
# of Funds in Cat	408	424	400	333	301	187

\* Currency is displayed in USD

**Top Holdings** 07-31-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ LinkedIn Corp	0.68	235.92 USD	-2.67 ↓	94.75 - 247.98
⊕ Macy's Inc	0.68	43.47 USD	-1.56 ↓	36.30 - 50.77
⊕ Delta Air Lines Inc	0.66	19.11 USD	-5.72 ↓	8.42 - 22.05
⊕ Health Care REIT, Inc.	0.66	61.51 USD	0.72 ↑	56.48 - 80.07
⊕ Vertex Pharmaceuticals	0.64	75.00 USD	-3.78 ↓	38.44 - 89.96
% Assets in Top 5 Holdings	3.32			

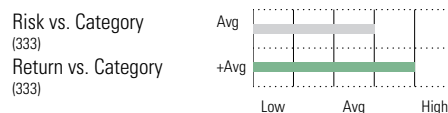
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 07-31-2013

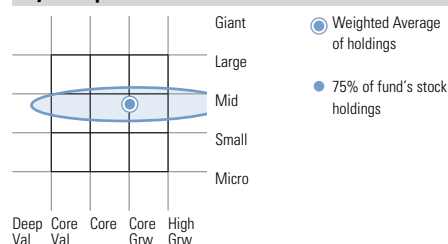
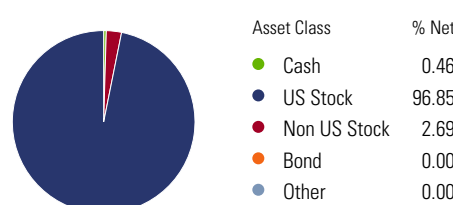
	Fund	3 Yr High	3 Yr Low	Cat Avg
🏠 Consumer Cyclical	17.70	17.70	15.04	16.24
💻 Technology	15.43	15.43	14.09	14.25
⚙️ Industrials	13.57	14.95	13.57	16.02
🏦 Financial Services	10.53	10.57	10.06	13.85
🏥 Healthcare	10.30	10.30	9.54	10.19

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-03-19	24.98	0.0000	0.0000	0.0000	0.0100	0.0100
2012-12-21	22.53	0.0000	0.0000	0.0000	0.3200	0.3200
2012-03-21	22.35	0.0000	0.0000	0.0000	0.0000	0.0000
2011-12-22	19.69	0.0000	0.0000	0.0000	0.2700	0.2700
2011-03-22	21.30	0.0000	0.0000	0.0000	0.0000	0.0000

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

**Style Map**

**Asset Allocation**

**Management**

Donald M. Butler	Start Date
	1998-05-21

# Vanguard Mid Cap Index I VMCIX

## Analysis

### Mid-caps have beaten large caps by an unsustainably wide margin.

By Michael Rawson 5/9/2013

This fund is ideally suited for investors who wish to tactically overweight mid-cap stocks or to add some diversification to a large cap portfolio that lacks mid-caps. Paired with an appropriate investment in large-cap stocks, this fund can help form a diversified United States equities allocation because of its broad holdings across companies and industries.

Over the past decade, mid-caps have beaten large caps by nearly 4 percentage points, a margin that is not likely to persist. That streak of outperformance has caused mid-caps to look expensive. Mid-caps trade at a price/fair value of about 1.05, slightly overvalued compared with the 1.00 price/fair value of large caps.

In addition to being more expensive, mid-caps are also more volatile. Mid-cap stocks tend to be riskier than large caps because of narrower economic moats and a greater sensitivity to macroeconomic risks, but with this greater volatility comes the expectation for higher returns. For those who want to reap this size premium, be forewarned that the returns for smaller stocks can vary drastically over time, and the premium has reliably appeared only over periods of a decade or more. Those looking for shorter-term or more stable investments would be better-suited to buy bonds or global large-cap equities.

The fund recently switched indexes to the CRSP US Mid Cap Index, which covers companies between 70% and 85% of the U.S. market by market capitalization range. Vanguard classifies the first 70% of the market as mega-caps and classifies as large cap the combination of mega-caps and mid-caps. Consequently, Vanguard Large-Cap Index Fund VLCAX covers the first 85% of the market, so owners of that fund already have exposure to mid-cap stocks. Small caps are covered in the Vanguard Small-Cap Index Fund VSMAX, while virtually the entire market cap spectrum is covered by Vanguard Total Stock Market Index Fund VTSAX.

**Process Pillar:** + Positive

This fund tracks the CRSP US Mid Cap Index, which captures companies in the market-cap range between 70% and 85% of the U.S. market. The index employs modern index construction techniques designed to appropriately track its mandate while limiting unnecessary turnover and the impact of index front-running. For instance, when a stock fluctuates in value near the border between mid-cap and large-cap stocks, an index-tracking fund may be forced to buy it one year only to sell it the next. CRSP's banding and packeting techniques help to mitigate this turnover. Tracking error under the old index averaged less than 0.10%, and we expect similar tight tracking under the new index.

Like similar indexes from Russell or MSCI, CRSP uses unbiased index inclusion criteria. In contrast, the constituents of the S&P MidCap 400 Index, which covers the 501st to 900th stock after the larger stocks in the S&P 500, are determined in part by fundamental screens used at the discretion of the index committee. This fund follows a full index-replication strategy, holding nearly every stock in the index at nearly identical weightings to the index. Like many Vanguard index funds, this fund has both mutual fund and exchange-traded fund share classes.

The portfolio currently consists of about 360 stocks after the largest 290. This results in an average market cap of about \$8.8 billion, less than the \$58.1 billion of the large-cap S&P 500 but slightly more than the S&P MidCap 400 Index's average market cap of \$4.2 billion as of the end of March 2013.

Mid-cap stocks currently trade at a slight premium to large caps, so the stocks in this portfolio have a higher price/earnings ratio than stocks in the S&P 500. Sector exposure is diverse with no sector constituting more than 20% of the fund. Consumer cyclical is the largest sector at 16.6% of the portfolio.

**Performance Pillar:** + Positive

Over the past decade, mid-cap stocks have outperformed both large caps and small caps. The S&P MidCap 400 Index returned 11.7% compared with

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	+ Positive
Performance	+ Positive
People	+ Positive
Parent	+ Positive
Price	+ Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	21.29	0.84
2012	16.01	-0.14
2011	-1.96	1.86
2010	25.67	3.15
2009	40.51	3.13

### Analyst Favorites by Category

	YTD Return %
Fidelity Spartan Extended Mkt Index Inv	23.08
FMI Common Stock	17.18
Longleaf Partners Small-Cap	19.94
Osterweis	21.28
Vanguard Extended Market Idx Inv	23.06
Mid-Cap Blend	20.45



# Vanguard Mid Cap Index I VMCIX

## Analysis

7.9% for the large-cap S&P 500 Index and 10.5% for the small-cap Russell 2000 Index. While over long periods of time, mid-caps are expected to outperform large caps because of their higher beta, the excess returns experienced over the past decade should not be expected to continue. In that same span, this fund has returned 11.3% compared with the mid-cap blend category average of 9.9%, placing it among the top quartile of all mid-blend funds.

Investors in mid-cap stocks should be prepared for greater volatility. Over the past 10 years, the S&P 500 Index had a standard deviation of return of 14.6% compared with 17.9% for this fund. Index funds will always be fully invested, so investors should not expect better downside protection than the market as a whole.

### People Pillar: + Positive

Joseph Brennan heads the Equity Index Group and oversees a team of experienced index portfolio managers with shared resources. Donald Butler has been lead portfolio manager on this fund since 2005. He joined Vanguard in 1992 and has been comanager of this fund since 1998. In addition to this fund, Butler manages a number of index funds for Vanguard, including Vanguard Institutional Index VINIX, Vanguard Extended Market Index VEXMX, and Vanguard Developed Markets Index VDMIX.

Although Butler owns no shares in the fund, this is not uncommon for index funds. Vanguard's incentive compensation plan helps align the portfolio's manager incentives with shareholders' through objectives such as improving operational efficiency, which lowers costs and leaves more money in the hands of shareholders.

### Parent Pillar: + Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's

fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

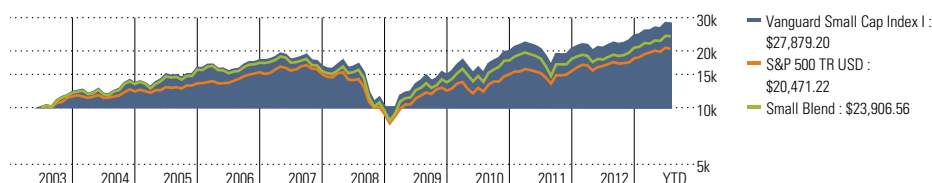
### Price Pillar: + Positive

This fund is one of the cheapest for obtaining pure exposure to mid-cap stocks. The Admiral shares charge just 0.10%, or \$10 for every \$10,000 invested. That's well below the category average and even cheaper than most mid-cap ETFs. The Admiral share class requires a \$10,000 minimum investment, whereas the ETF share class has the same expense ratio and no minimum investment requirement beyond the price of one share.

# Vanguard Small Cap Index I VSCIX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
46.61	↓-1.05   -2.20	1.51	7.1	Open	\$5	None	0.08%	★★★★	Small Blend	Large Growth

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks. The fund employs an indexing investment approach designed to track the performance of the CRSP US Small Cap Index, a broadly diversified index of stocks of small U.S. companies. It attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting in the index.

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	12,298	9,950	13,031	18,408	16,772	27,752
Fund	22.98	-0.50	30.31	22.56	10.90	10.75
+/- S&P 500 TR USD	5.19	1.34	10.26	3.50	3.08	3.35
+/- Category	1.02	0.23	1.46	2.01	1.96	1.49
% Rank in Cat	37	42	34	25	16	15
# of Funds in Cat	676	702	658	592	527	327

\* Currency is displayed in USD

**Top Holdings** 07-31-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Onyx Pharmaceuticals, Inc.	0.39	123.36 USD	-0.11 ↓	68.12 - 136.87
⊕ Polaris Industries, Inc.	0.30	109.89 USD	-3.22 ↓	73.67 - 116.65
⊕ B/E Aerospace Inc	0.30	67.83 USD	-2.70 ↓	38.81 - 73.91
⊕ Fortune Brands Home & Security Inc	0.28	36.95 USD	-3.35 ↓	24.47 - 44.04
⊕ Genworth Financial Inc	0.26	11.62 USD	-4.28 ↓	5.07 - 13.79
% Assets in Top 5 Holdings	1.53			

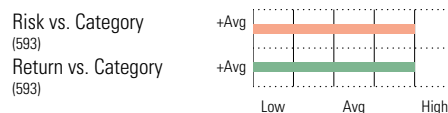
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 07-31-2013

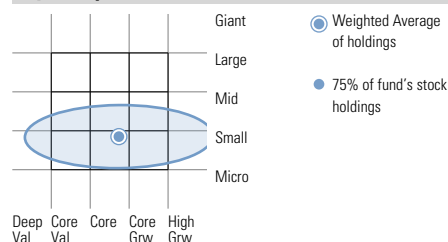
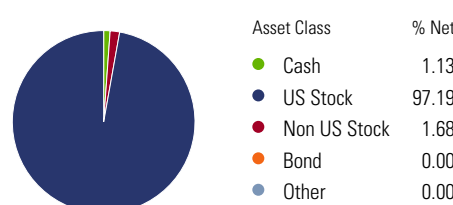
	Fund	3 Yr High	3 Yr Low	Cat Avg	
🏭 Industrials	17.32	19.32	17.32	18.68	■ Fund ▼ Cat Avg
🛒 Consumer Cyclical	15.90	15.90	13.25	16.15	
💻 Technology	14.30	15.73	14.30	15.84	
🏦 Financial Services	12.94	13.22	12.57	14.67	
🏥 Healthcare	10.53	11.13	10.30	9.20	

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-03-19	43.15	0.0000	0.0000	0.0000	0.0100	0.0100
2012-12-21	38.70	0.0000	0.0000	0.0000	0.7200	0.7200
2012-03-21	37.67	0.0000	0.0000	0.0000	0.0100	0.0100
2011-12-22	33.50	0.0000	0.0000	0.0000	0.4600	0.4600
2011-03-22	36.34	0.0000	0.0000	0.0000	0.0000	0.0000

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

**Style Map**

**Asset Allocation**

**Management**

Manager	Start Date
Michael H. Buek	1991-12-30

# Vanguard Small Cap Index I VSCIX

## Analysis

### Vanguard Small Cap Index has inherent advantages that make it a standout.

By Michael Rawson 11/13/2012

Vanguard Small Cap Index can serve as a portfolio building block for long-term buy-and hold-investors. Despite their higher volatility, over very long periods of time small-cap stocks tend to outperform large caps. It is therefore common that strategic investors might maintain an overweighting to small caps, which make up less than 10% of the equity market.

The expense ratio for its Admiral shares (a minimum \$10,000 investment) makes it one of the cheapest small-blend retail funds. This leaves more money in the investor's pocket and helps the fund more easily approximate its benchmark's returns. It is with costs in mind that Vanguard recently announced its plan to switch from its current MSCI index to a similar small-cap index provided by CRSP. While the CRSP index is comparable, investors should be aware that this transition could lead to slight tracking error and unusual one-time trading costs.

No passive small-cap index is perfect, as there are no financial health screens to prevent distressed firms from entering the mix. Because it includes firms with shaky futures, investors need to be aware of the greater volatility that this brings. If we are truly entering a "new normal" of slower economic growth and greater uncertainty, investors may want to tamp down on any overweighting to small caps, which tend to be more dependent on economic growth. In addition, small caps currently look expensive relative to large caps, at least on a price/earnings basis.

For its price, the fund is unrivaled in its ability to provide broad small-cap exposure and then some.

#### Process Pillar: Positive

The fund currently tracks the MSCI US Small Cap 1750 Index but is transitioning to the CRSP US Small Cap Index. Vanguard has experience changing indexes midstream as the fund switched from the Russell 2000 Index in May 2003. CRSP originated as a research center within the University of Chicago, so they have a deep pedigree in provid-

ing research quality data. In addition, most modern index providers incorporate many of the same techniques, so the choice of one index versus another is largely about costs. Index licensing fees compose a significant portion of the expense ratio, and it is likely that Vanguard will be able to reduce its already low expense ratio in the future.

This fund has an exchange-traded fund share class, which should help improve tax efficiency even more. The fund has not made a capital gains distribution since 2000, further improving returns for taxable investors.

Small-cap stocks typically account for less than 10% of the valuation of total stock market, but their small size means that there are many of them. Therefore, it becomes more efficient to obtain exposure to small caps through a fund than by purchasing individual securities. This fund holds roughly 1,750 stocks with an average market cap of just \$1.4 billion. Compared with large-cap funds, small-cap indexes typically have more real estate and industrial exposure but less exposure to energy names. The dividend yield is also lower because many small-cap companies do not pay a dividend. That may be because the companies are distressed or they are growing and reinvesting capital back into the business.

#### Performance Pillar: Positive

Over the five-year period ended November 2012, the fund has returned 4.34% on an annualized basis, while the index returned 4.22%. How can an index fund beat its index? The fund's secret is relentless pursuit of efficiency, low costs, and putting shareholder interests first. The fund also employs a conservative securities lending program that helps offset costs. Tracking error was spot-on the index, a testament to Vanguard's experience in running index funds. The fund uses full replication, holding essentially every stock in the index at near its index weight. This helps reduce turnover.

Volatility over this time frame was 25.0%, in line with the index. It is important to note that this volatility is substantially higher than what is observed in large-cap stocks. Investors here need to be able to stomach periods of underperformance,

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	22.98	1.02
2012	18.26	2.80
2011	-2.65	1.42
2010	27.95	2.34
2009	36.40	4.60

### Analyst Favorites by Category

	YTD Return %
Artisan Small Cap Value Investor	14.92
DFA US Micro Cap I	25.06
DFA US Small Cap I	24.83
Fidelity Small Cap Discovery	25.33
Royce Special Equity Invmt	15.43
Vanguard Small Cap Index Inv	22.86
Vanguard Tax-Managed Small Cap Adm	24.10
Small Blend	21.96

# Vanguard Small Cap Index I VSCIX

## Analysis

but over long periods of time, small caps have historically earned a premium of about 2% over large caps. While during the late 1990s, small caps underperformed large caps, over the past 10 years this index has beaten the S&P 500 by nearly 6% per year. That string of outperformance has led small-cap stocks to look expensive relative to large caps, and they now sell at a premium valuation multiple.

### People Pillar: + Positive

Michael Buek has been managing the fund for about 20 years. He is assisted by a team of people, many of whom have worked with him 11-19 years in Vanguard's quantitative equity group, which runs all of the firm's equity index funds. Because there is little turnover, a deep bench has been created. While Buek manages several index funds, the team approach prevents him from being spread too thin.

Compensation itself is aligned with shareholders as a manager's bonus at Vanguard is linked to factors like creating operating efficiencies, which help drive down a fund's costs.

### Parent Pillar: + Positive

Vanguard has become one of the world's largest money managers by giving fund owners a fair deal and straight talk. Its challenge is not forgetting what got it there.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners by sharing the economies of its scale via lower fees, closing actively managed funds when inflows have jeopardized strategies, and resisting hot trends. The family also ties its employees' compensation to operating efficiencies, though manager ownership

could be better.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. It has added subadvisors to some big active funds rather than closing them, which courts mediocrity. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

### Price Pillar: + Positive

The Admiral share class charges just 0.10%, which is incredibly low for a small-cap fund. While that does require a \$10,000 investment, the ETF share class, Vanguard Small Cap ETF VB, charges 0.16% without the minimum. The Institutional share class is even cheaper. The category average is 1.38%, but that includes both active and passive funds.

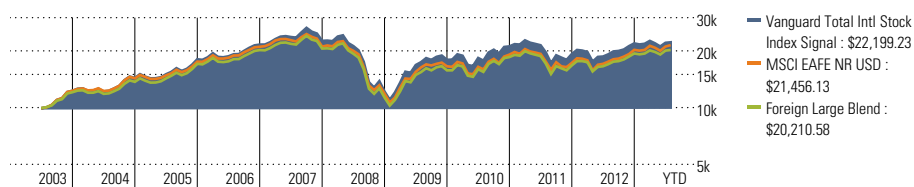
Those investors looking for one fund to complement a large-cap portfolio might consider Vanguard Extended Market VEXAX, which holds all of the securities outside of the S&P 500. The Admiral shares charge 0.14%, and the fund includes both mid-caps and small caps.

# Vanguard Total Intl Stock Index Signal VTSGX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
30.50	↓-0.49   -1.58	4.43	97.6	Open	\$—	None	0.16%	★★★	Foreign Large Blend	Large Growth

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in developed and emerging markets, excluding the United States. The fund employs an indexing investment approach designed to track the performance of the FTSE Global All Cap ex US Index, a free-float-adjusted market-capitalization-weighted index designed to measure equity market performance of companies located in developed and emerging markets, excluding the United States. The index includes more than 5,300 stocks of companies located in 46 countries.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	10,477	9,971	11,466	12,587	11,206	22,374
Fund	4.77	-0.29	14.66	7.97	2.30	8.39
+/- MSCI EAFE NR USD	-5.70	-0.28	-5.34	-2.03	-0.20	0.52
+/- Category	-3.51	-0.52	-3.33	-1.39	-0.02	0.81
% Rank in Cat	86	77	81	—	—	—
# of Funds in Cat	822	852	792	699	615	319

\* Currency is displayed in USD

## Top Holdings 07-31-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Nestle SA	1.14	61.80 USD	-1.20 ↓	58.20 - 70.00
⊕ HSBC Holdings PLC	1.11	—	—	538.00 - 772.50
⊕ Roche Holding AG	0.91	239.20 USD	-1.08 ↓	171.80 - 258.60
⊕ Novartis AG	0.88	68.50 USD	-1.44 ↓	55.20 - 73.75
⊕ Toyota Motor Corp	0.85	— USD	-0.81 ↓	2,873.00 - 6,800.00
% Assets in Top 5 Holdings	4.88			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

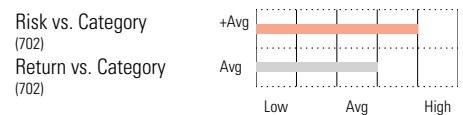
## Top Sectors 07-31-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg	
Financial Services	21.77	21.77	18.63	20.88	■ Fund ▼ Cat Avg
Consumer Cyclical	11.33	11.33	9.57	12.55	
Industrials	11.21	12.93	11.21	11.15	
Consumer Defensive	10.15	10.15	9.36	11.98	
Basic Materials	9.32	12.07	9.32	8.26	

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-06-21	29.11	0.0000	0.0000	0.0000	0.3900	0.3900
2013-03-21	30.70	0.0000	0.0000	0.0000	0.0800	0.0800
2012-12-19	29.89	0.0000	0.0000	0.0000	0.4100	0.4100
2012-09-21	29.09	0.0000	0.0000	0.0000	0.4900	0.4900
2011-12-20	25.90	0.0000	0.0000	0.0000	0.8200	0.8200

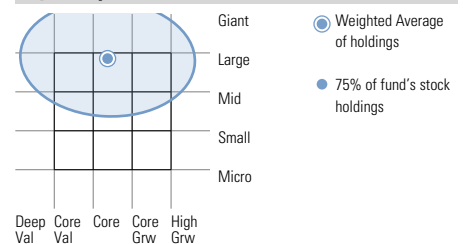
## 3 Year Average Morningstar Risk Measures



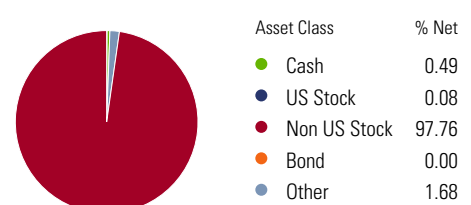
## Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

## Style Map



## Asset Allocation



## Management

Start Date
2008-08-05

Michael Perre

# Vanguard Total Intl Stock Index Signal VTSGX

## Analysis

### Morningstar's Take

Morningstar Analyst Rating —

### Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold
  Silver
  Bronze
  Neutral
  Negative

### Fund Performance

	Total Return %	+/- Category
YTD	4.77	-3.51
2012	18.21	-0.08
2011	-14.52	-0.56

### Analyst Favorites by Category

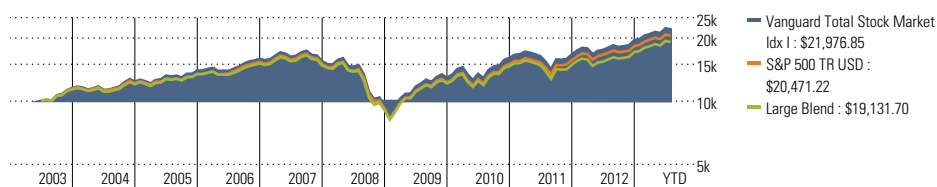
	YTD Return %
American Funds EuroPacific Gr A	7.42
American Funds Intl Gr And Inc 529A	7.05
Artisan International Value Investor	18.07
Causeway International Value Instl	12.46
Dodge & Cox International Stock	11.72
Harbor International Instl	8.11
Litman Gregory Masters Intl Instl	12.32
Manning & Napier World Opportunities A	9.29
Oakmark International I	20.45
Vanguard Developed Markets Index Inv	10.15
Vanguard Tax-Managed Intl Adm	10.42
Vanguard Total Intl Stock Index Inv	4.67
Foreign Large Blend	8.27

We do not currently publish an Analyst Report for this company.

# Vanguard Total Stock Market Idx I VITSX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
41.26	↓-0.72   -1.72	1.91	33.1	Open	\$5	None	0.04%	★★★★	Large Blend	Large Growth

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks to track the performance of a benchmark index that measures the investment return of the overall stock market. The fund employs an indexing investment approach designed to track the performance of the CRSP US Total Market Index, which represents approximately 100% of the investable U.S. stock market and includes large-, mid-, small-, and micro-cap stocks regularly traded on the New York Stock Exchange and Nasdaq. It invests by sampling the index, meaning that it holds a broadly diversified collection of securities that, in the aggregate, approximates the full index in terms of key characteristics.

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,882	9,852	12,193	17,148	14,980	21,911
Fund	18.82	-1.48	21.93	19.69	8.42	8.16
+/- S&P 500 TR USD	1.03	0.36	1.88	0.64	0.60	0.77
+/- Category	1.25	-0.06	1.17	2.24	1.48	1.14
% Rank in Cat	30	50	34	15	14	18
# of Funds in Cat	1,600	1,674	1,548	1,351	1,222	764

\* Currency is displayed in USD

**Top Holdings** 07-31-2013

	Weight %	Last Price	Day Chg %	52 Week Range
⊕ Apple Inc	2.27	488.59 USD	-2.86 ↓	385.10 - 705.07
⊕ Exxon Mobil Corporation	2.22	86.82 USD	-0.31 ↓	84.70 - 95.49
⊕ Johnson & Johnson	1.40	86.17 USD	-1.55 ↓	66.85 - 94.42
⊕ General Electric Co	1.34	23.18 USD	-1.82 ↓	19.87 - 24.95
⊕ Chevron Corp	1.30	118.81 USD	-0.03 ↓	100.66 - 127.83
% Assets in Top 5 Holdings	8.53			

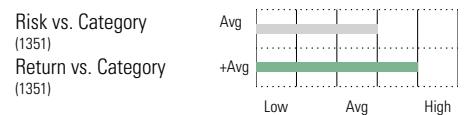
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 07-31-2013

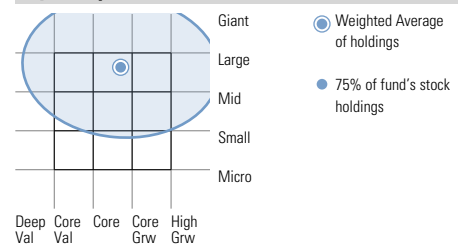
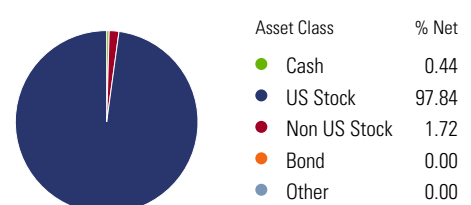
	Fund	3 Yr High	3 Yr Low	Cat Avg	
Technology	16.51	17.19	16.51	15.97	■ Fund ▼ Cat Avg
Financial Services	14.80	14.80	11.96	15.93	
Healthcare	12.48	12.48	11.46	12.98	
Consumer Cyclical	12.16	12.16	10.36	11.41	
Industrials	11.56	12.29	11.56	12.47	

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-06-21	39.86	0.0000	0.0000	0.0000	0.1900	0.1900
2013-03-21	38.83	0.0000	0.0000	0.0000	0.1800	0.1800
2012-12-19	35.84	0.0000	0.0000	0.0000	0.2700	0.2700
2012-09-21	36.35	0.0000	0.0000	0.0000	0.1800	0.1800
2012-06-22	33.18	0.0000	0.0000	0.0000	0.1700	0.1700

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive
Rating	★★★★ Gold

**Style Map**

**Asset Allocation**

**Management**

Start Date
Gerard C. O'Reilly 1994-12-30



# Vanguard Total Stock Market Idx I VITSX

## Analysis

### Capture the entire U.S. equity market with one fund.

By Michael Rawson 5/29/2013

Vanguard Total Stock Market Index Fund is the quintessential core equity fund. It covers virtually the entire U.S. equity market, holding over 3,000 securities, within the convenience of one fund. In addition to being used as a stand-alone allocation to U.S. equities, this fund would be appropriately paired with individual stocks or with active mutual funds, and a complete portfolio could be built by pairing it with international-stock and bond funds.

Passive index funds rely on the efficient-market hypothesis, the idea that market prices reflect all available information, which makes it difficult for the average active manager to consistently outperform the market. In fact, this fund has beaten 85% of large-blend funds over the past 10 years. Even those who do not subscribe to the efficient-market argument should take note of this fund's expense ratio advantage. At just 0.05%, the fund has a nearly 1% expense edge over the average large-blend fund.

Total stock market indexes funds cover nearly all listed equities, so they are more comprehensive than indexes such as the S&P 500, which focus primarily on large-cap stocks. However, because both indexes use a market-cap-weighting approach, they tend to be highly correlated and have a lot of overlap. Part of the fund's outperformance can be explained by the fact that small caps have done extremely well during that period and many competitor funds in the category do not include small-cap stocks. But even on a risk-adjusted basis, this fund has beaten most peers.

Over the past three years through mid-May 2013, this fund has returned 18% per year on an annualized basis. After the recent strong performance, stocks no longer look attractively priced. According to Morningstar equity analysts, stocks in this fund trade at a price/fair value ratio of 1.01, which is fairly valued. While the market no longer offers compelling bargains, long-term investors are better served by focusing on their asset allocation rather than trying to time the market.

This is our favorite fund for establishing a passive allocation to U.S. equities.

#### Process Pillar: Positive

The fund is in the process of switching indexes from MSCI to a similar index provided by CRSP. The CRSP US Total Market Index tracks nearly all publicly available equities that meet minimum liquidity requirements which equates to roughly 3,600 securities, slightly more than what is held in the MSCI US Broad Market Index.

Historically, this fund has used full replication to track all but the tiniest of stocks in the index and uses a sampling approach on the least liquid, micro-cap stocks. The result has been extremely tight tracking. Tracking error under the old index averaged less than 0.10% and we expect similar tight tracking under the new index.

Like many Vanguard index funds, this fund has both a mutual fund and exchange-traded fund share classes. We see the ETF share class as a benefit to the mutual fund, providing another avenue to improve tax efficiency. Vanguard is diligent in minimizing the tax impact of its trades, keeping track of tax lots to reduce the likelihood of incurring capital gains.

The fund engages in securities lending, giving all proceeds net of costs back to the fund and improving the fund's performance. Cash holdings are kept to a minimum, averaging less than 1% of the fund and equity futures help reduce the impact of holding cash.

Vanguard Total Stock Market Index fund is a reflection of the U.S. equity market and is broadly diversified across sectors, industries, and individual stocks allowing it to achieve optimal diversification. Most funds in the large-blend category benchmark themselves to the S&P 500 Index, which is an index of large- and mid-cap stocks. Compared with the category average, this fund has a greater weighting in mid-, small-, and micro-cap stocks resulting in a lower weight in large caps and a lower average market capitalization. Over the long haul, the exposure to small-cap stocks should result in better performance but it may res-

### Morningstar's Take

Morningstar Analyst Rating



#### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Positive
Price	 Positive

#### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

#### Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	18.82	1.25
2012	16.42	1.46
2011	1.09	2.36
2010	17.23	3.22
2009	28.83	0.66

#### Analyst Favorites by Category

	YTD Return %
American Funds Fundamental Invs A	15.87
Davis NY Venture A	19.69
Fidelity Spartan 500 Index Inv	17.71
Fidelity Spartan Total Market Index Inv	18.76
FMI Large Cap	18.42
Oakmark I	20.63
Oakmark Select I	18.63
PRIMECAP Odyssey Stock	22.03
Selected American Shares S	18.79
Vanguard 500 Index Inv	17.68
Vanguard Dividend Growth Inv	18.32
Vanguard Institutional Index I	17.78
Vanguard Tax-Managed Capital App I	18.52
Vanguard Tax-Managed Growth & Inc I	17.75
Vanguard Total Stock Mkt Idx Inv	18.73
Weitz Partners Value	20.03
Yackman Svc	19.04
Large Blend	17.57



# Vanguard Total Stock Market Idx I VITSX

## Analysis

ult in greater volatility and underperformance when large-cap stocks dominate.

A benefit to holding a broad index fund is that it results in less turnover, both within the fund and at the portfolio level. Holding market cap segment index funds such as the Russell 1000 and Russell 2000 would require periodic rebalancing as one size segment outperforms the other. There would also be turnover within the fund as individual stocks migrate from one size index to the other. Holding the entire market in one fund eliminates the need for rebalancing at the portfolio level and requires less turnover within the fund as stocks grow or shrink in value. This fund has averaged just 3% turnover, which is well below the category average of 70% and helps improve the tax efficiency.

### Performance Pillar: Positive

As a passive, total market index fund, we can expect market performance from this fund in the future, and that is not necessarily a bad thing. While many advocates of active investing question why anyone would ever want to accept merely average returns, the fact is that market averages are incredibly hard to beat. In fact, this fund has beaten 85% of its peers over the past 10 years. In that span, the fund has returned 9.09% compared with 8.84% for the Russell 3000 Index and 7.83% for the average fund in the large-blend category.

A big part of that outperformance can be explained by the fund's expense ratio advantage. In addition, the fund has a higher weighting in mid- and small-cap stocks than the category average and these stocks have outperformed. While it is common for smaller-cap stocks to offer higher risks and rewards, that past decade has proved to be unusually favorable for smaller stocks. Going forward, investors should lower their return expectations for the segment.

One potential criticism of index investing is that a passive fund will always be fully invested and offers no downside risk control. Indeed, the fund's downside capture ratio is greater than 1 and often greater than the category average. However, market-timing has proved to be extraordinarily diffi-

cult, and the fund's better upside capture ratio has more than made up the lack of downside protection. In aggregate, the fund's volatility is about the same as the category average despite having greater exposure to small-cap stocks.

### People Pillar: Positive

Vanguard has a large crew of investment professionals and the infrastructure to support its vast indexing business. The depth of talent and Vanguard's practice of rotating managers alleviates any concern over recent personnel changes.

Gus Sauter recently resigned as chief investment officer and was replaced by Tim Buckley, who previously led the retail investment group and worked as the chief information officer prior to that. Efficient operations are critical to running an index fund. So perhaps it should not be a surprise then that Buckley, with his focus on process improvement, was chosen as Sauter's replacement. Leading the equity index group, Joseph Brennan oversees a team of experienced index portfolio managers with shared resources. Brennan recently replaced Sandip Bhagat.

Direct portfolio management of this fund falls to Gerald O'Reilly who has worked on this fund since 1994 and became the lead portfolio manager in 2005. In addition to this fund, O'Reilly manages a number index funds for Vanguard, including Vanguard Growth and Vanguard Value. He is listed as having between \$100,000 and \$500,000 in the fund.

### Parent Pillar: Positive

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a

strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

### Price Pillar: Positive

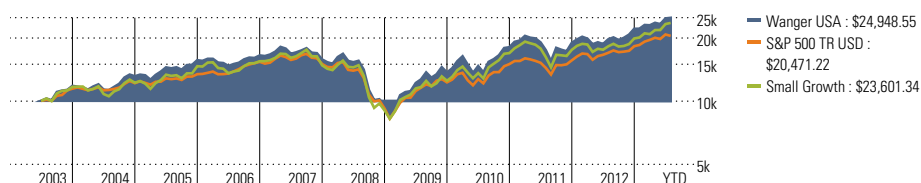
At just 0.05%, this is one of the lowest-cost funds available. That represents just \$5 for every \$10,000 invested for the Admiral shares (which require a \$10,000 minimum investment) as well as the exchange-traded fund. That is well below the category average expense ratio of 1.12%, which means that this fund has an annual performance edge of more than 1% out of the gate. That expense ratio advantage of passive index funds helps explain why it is so difficult for the average actively managed fund to consistently outperform. The low expense ratio on this fund helps maximize that advantage.

# Wanger USA WUSAX

Morningstar Analyst Rating

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Mil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
36.07	↓-0.91   -2.46	0.39	871.4	Open	\$—	None	0.96%	★★★	Small Growth	Large Growth

## Growth of 10,000 08-26-2003 - 08-26-2013



## Investment Strategy

The investment seeks long-term capital appreciation. The fund invests at least 80% of its net assets (plus any borrowings for investment purposes) in U.S. companies. It invests a majority of its net assets in the common stock of small- and mid-sized companies with market capitalizations under \$5 billion at the time of investment. The fund may invest in other companies with market capitalizations above \$5 billion, provided that immediately after that investment a majority of its net assets would be invested in companies with market capitalizations under \$5 billion.

## Performance 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	12,026	10,060	12,702	18,266	16,364	24,832
Fund	20.26	0.60	27.02	22.24	10.35	9.52
+/- S&P 500 TR USD	2.46	2.44	6.97	3.18	2.53	2.13
+/- Category	-5.99	-0.97	-3.02	-0.60	0.12	0.40
% Rank in Cat	84	74	77	50	45	42
# of Funds in Cat	80	81	80	78	69	51

\* Currency is displayed in USD

## Top Holdings 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
Nordson Corporation	3.89	67.07 USD	-3.18 ↓	56.15 - 75.88
Ametek, Inc.	3.32	43.27 USD	-2.48 ↓	32.67 - 48.01
tw telecom inc	2.87	28.64 USD	-0.83 ↓	23.65 - 30.70
Mettler-Toledo International, Inc.	2.71	222.41 USD	-2.20 ↓	160.86 - 231.55
Extra Space Storage, Inc.	2.59	41.42 USD	-1.90 ↓	32.59 - 45.29
% Assets in Top 5 Holdings	15.37			

⊕ Increase ⊖ Decrease ✱ New to Portfolio

## Top Sectors 06-30-2013

	Fund	3 Yr High	3 Yr Low	Cat Avg
Technology	22.99	25.68	21.22	22.54
Industrials	22.22	24.36	21.42	19.64
Consumer Cyclical	12.33	16.43	12.33	16.63
Financial Services	12.26	12.26	10.08	8.72
Healthcare	11.86	12.10	9.96	13.52

## Dividend and Capital Gains Distributions

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2013-06-05	34.31	3.3800	0.0100	0.0000	0.0500	3.4500
2012-12-06	32.72	0.0000	0.0000	0.0000	0.1000	0.1000
2012-06-06	30.52	1.6300	0.0000	0.0000	0.0000	1.6300
2011-06-08	32.23	3.1100	0.0000	0.0000	0.0000	3.1100
2008-03-12	28.00	3.7300	0.0000	0.0000	0.0000	3.7300

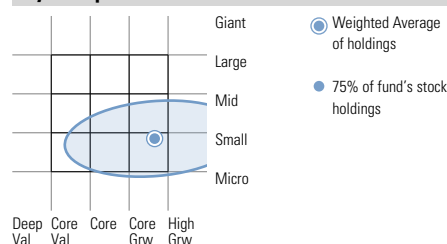
## 3 Year Average Morningstar Risk Measures

Risk vs. Category (87)	Avg			
Return vs. Category (87)	Avg			
		Low	Avg	High

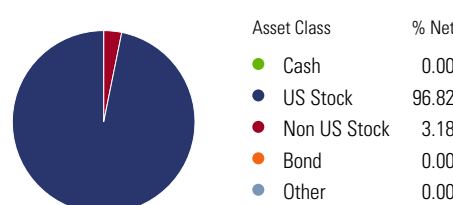
## Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—
Rating	—	—

## Style Map



## Asset Allocation



## Management

Start Date
Robert A. Mohn
1995-05-03

# Wanger USA WUSAX

## Analysis

### Morningstar's Take

Morningstar Analyst Rating —

### Morningstar Pillars

Process	—	—
Performance	—	—
People	—	—
Parent	—	—
Price	—	—

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold
  Silver
  Bronze
 Neutral
 Negative

### Fund Performance

	Total Return %	+/- Category
YTD	20.26	-5.99
2012	20.02	6.02
2011	-3.49	-1.20
2010	23.35	-4.75
2009	42.23	7.30

### Analyst Favorites by Category

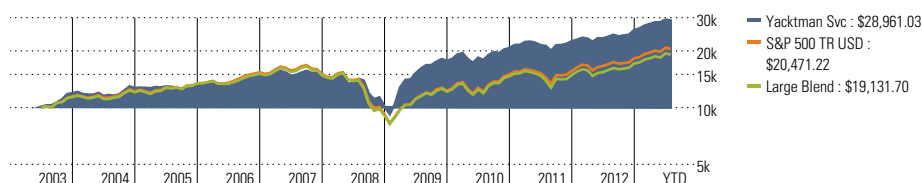
	YTD Return %
Small Growth	26.24

We do not currently publish an Analyst Report for this company.

# Yacktman Svc YACKX

**Morningstar Analyst Rating**  
**Gold**

NAV \$	NAV Day Change %	Yield TTM %	Total Assets \$ Bil	Status	Min. Inv.	Load	Expenses	Morningstar Rating™	Category	Investment Style
22.52	↓-0.24   -1.05	0.61	12.4	Open	\$2,500	None	0.76%	★★★★★	Large Blend	Large Growth

**Growth of 10,000** 08-26-2003 - 08-26-2013

**Investment Strategy**

The investment seeks long-term capital appreciation and, to a lesser extent, current income. The fund invests primarily in domestic equity securities. It also may invest in foreign equity securities and debt securities. The fund may invest up to 20% of its assets in foreign equity securities. Its investments in equity securities may include common stocks, preferred stocks, convertible preferred stocks and ADRs. It may invest up to 20% of its assets in such debt securities, including junk bonds, in any proportion provided that the total invested does not exceed the 20% threshold.

**Performance** 08-26-2013

	YTD	1 Mo	1 Yr	3Yr Ann	5Yr Ann	10Yr Ann
Growth of 10,000	11,904	9,849	12,164	16,263	20,652	28,713
Fund	19.04	-1.51	21.64	17.60	15.61	11.12
+/- S&P 500 TR USD	1.24	0.33	1.59	-1.46	7.79	3.73
+/- Category	1.47	-0.09	0.88	0.14	8.68	4.11
% Rank in Cat	28	52	36	52	1	1
# of Funds in Cat	1,600	1,674	1,548	1,351	1,222	764

\* Currency is displayed in USD

**Top Holdings** 06-30-2013

	Weight %	Last Price	Day Chg %	52 Week Range
News Corporation Class A	8.98	15.72 USD	-0.88 ↓	14.39 - 34.04
Procter & Gamble Co	6.72	78.00 USD	-0.69 ↓	65.83 - 82.54
PepsiCo Inc	6.53	79.06 USD	-0.79 ↓	67.39 - 87.06
⊖ Cisco Systems Inc	4.92	23.49 USD	-1.43 ↓	16.68 - 26.49
⊖ Microsoft Corporation	4.85	33.30 USD	-2.49 ↓	26.26 - 36.43
% Assets in Top 5 Holdings	32.00			

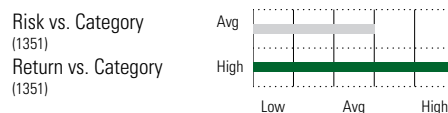
⊕ Increase ⊖ Decrease ✱ New to Portfolio

**Top Sectors** 06-30-2013

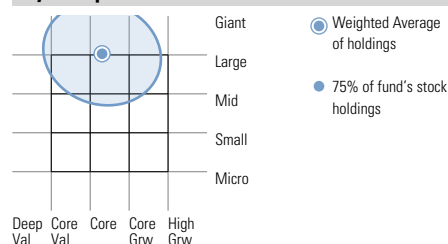
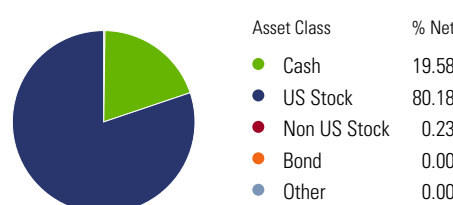
	Fund	3 Yr High	3 Yr Low	Cat Avg	
Consumer Defensive	32.06	35.34	32.06	10.32	■ Fund ▼ Cat Avg
Technology	19.15	19.15	15.58	16.00	
Consumer Cyclical	17.25	18.26	17.25	11.52	
Healthcare	15.21	17.53	15.21	12.93	
Financial Services	7.37	7.40	6.55	15.89	

**Dividend and Capital Gains Distributions**

Distribution Date	Distribution NAV	Long-Term Capital Gain	Long-Term Short Gain	Return of Capital	Dividend Income	Distribution Total
2012-12-26	19.08	0.0100	0.0000	0.0000	0.1400	0.1500
2012-06-27	18.23	0.1200	0.0000	0.0000	0.1100	0.2300
2011-12-29	17.57	0.0500	0.0100	0.0000	0.1800	0.2400
2010-12-30	16.53	0.4300	0.0200	0.0000	0.1500	0.6000
2009-12-30	15.35	0.0000	0.1000	0.0000	0.1000	0.2000

**3 Year Average Morningstar Risk Measures**

**Pillars**

Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Neutral
Price	⊕ Positive
Rating	Gold

**Style Map**

**Asset Allocation**

**Management**

Start Date  
 Jason Subotky 2009-12-31

# Yacktman Svc YACKX

## Analysis

### Preparing for less favorable climes.

By Kevin McDevitt, CFA 4/1/2013

Yacktman has thrived by acting with conviction at the extremes.

This fund distinguishes itself by getting bolder the more atypical the market environment. This showed most clearly during the 2008-09 credit crisis. As with other absolute-return oriented managers, this team built cash as valuations rose in the mid-2000s, keeping it north of 20% during much of that time, including heading into the worst of the crisis in 2008's fourth quarter. Management then snapped up cheap shares in late-2008 to early-2009. Although the portfolio is grounded in high-quality companies, the team aggressively bought lower-quality stocks which sold at greater discounts than higher-quality fare. The percentage of no-moat companies rose to nearly 14% in mid-2009. This left the fund well-placed to ride the liquidity-driven rally that followed.

With equity markets near record highs, the fund is shifting directions. Cash is at its highest level (16%) since 2008. Yet the fund's strongest risk controls are at the portfolio level. That may sound strange for a concentrated fund with more than half its assets in its top-10 holdings, but the portfolio is positioned conservatively. Less than 2% of assets were in no-moat stocks as of December 2012 versus 9% for the S&P 500 Index. Given its long-term orientation, management also favors companies with stable cash flows. As a result, 90% of its holdings have low to medium fair value uncertainty, a Morningstar measure of cash-flow volatility, versus 72% for the S&P 500.

Getting more conservative as valuations rise, though, often means lagging as bull markets age. That was the case in 1998-99 and again in 2005-06, with hefty cash stakes tempering returns in the latter case. Management refused to go along with what was hot at those times, missing out on tech in the late-1990s and energy and financials in the mid-2000s.

While the fund isn't hiding in a bunker, its caution will grow if equity markets continue to run. It may lag short-term in such a case, as occurred in 2012.

But this team has shown that there are few better at picking through the wreckage that often follows.

### Process Pillar: Positive

This fund sometimes gets the high-quality label, but price and valuation are what matter most here. That said, the team's preference for companies with relatively low capital expenditures, reasonable debt, high returns on capital, and modest cyclical tendency tends to lead them to high-quality consumer staples and discretionary (media, in particular) companies. The team thinks of stocks as juniors or bonds and compares their free-cash-flow yields with those of AAA-rated corporates. Once a stock is in the portfolio, management is reluctant to sell because high-quality companies tend to compound capital at attractive rates. This leads to very low turnover. On the other hand, if they cannot find new, cheap stocks to buy, they will let cash build to 20% or more of assets.

Capacity has become more of a concern as assets have soared from less than \$250 million just four years ago to \$9.6 billion. This isn't an immediate issue, though, given the portfolio's low turnover and current focus on liquid large-cap stocks. But the fund has grown too big to invest meaningfully in small-cap stocks as it did in the late-1990s. Back then, the fund loaded up on mid- and small-cap stocks given their compelling valuations versus large caps. These days, the team likely wouldn't have the flexibility to take meaningful positions in small-cap stocks even if valuations became attractive. That's especially true if the team plans to maintain the relatively concentrated portfolio it's known for.



On the surface, this is one of the more concentrated large-blend offerings. The fund has 51% of its assets in its top-10 holdings, which is nearly double the category median. Plus, the fund generally sticks to just a few sectors given the team's preference for companies with strong competitive advantages that aren't very economically sensitive. This typically has led to hefty stakes in consumer-oriented companies and health-care shares. Branded consumer staples and discretionary

### Morningstar's Take

Morningstar Analyst Rating



### Morningstar Pillars

Process	 Positive
Performance	 Positive
People	 Positive
Parent	 Neutral
Price	 Positive

### Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum

 Gold  Silver  Bronze Neutral Negative

### Fund Performance

	Total Return %	+/- Category
YTD	19.04	1.47
2012	11.47	-3.49
2011	7.30	8.57
2010	12.64	-1.37
2009	59.31	31.14

### Analyst Favorites by Category

	YTD Return %
American Funds Fundamental Invs A	15.87
Davis NY Venture A	19.69
Fidelity Spartan 500 Index Inv	17.71
Fidelity Spartan Total Market Index Inv	18.76
FMI Large Cap	18.42
Oakmark I	20.63
Oakmark Select I	18.63
PRIMECAP Odyssey Stock	22.03
Selected American Shares S	18.79
Vanguard 500 Index Inv	17.68
Vanguard Dividend Growth Inv	18.32
Vanguard Institutional Index I	17.78
Vanguard Tax-Managed Capital App I	18.52
Vanguard Tax-Managed Growth & Inc I	17.75
Vanguard Total Stock Mkt Idx Inv	18.73
Weitz Partners Value	20.03
Large Blend	17.57

# Yacktman Svc YACKX

## Analysis

stocks represent nearly half the portfolio versus less than a quarter of the S&P 500 Index.

But below the water line, the fund is marshaling its defenses. This shows in the shifting balance between staples and discretionary stocks. Since peaking at more than 26% of assets in early 2009, economically sensitive discretionary stocks dropped to 18% in December 2012 with management trimming H&R Block HRB during the quarter. Meanwhile, the team recently has added to recession-resilient staples such as Coca-Cola KO and Avon Products AVP, taking the staples weighting to nearly 29% of assets from 18% in mid-2008. Granted, this weighting is nearly triple that of the S&P 500, but consumer staples are one of the safer sectors, albeit with expanding price multiples these days. But with this in mind, management also has been accumulating cash, which at 16% of assets is its greatest level since 2008's third quarter.

### Performance Pillar: Positive

This fund's long-term returns are exceptional. Since its 1992 inception, the fund's 10.5% annualized return through March 2013 beats the large-blend average (7.5%) by a robust 3 percentage points. Plus, it has topped the S&P 500 Index's 8.8% return by nearly 1.8 percentage points.

But the fund has delivered these high returns without high risk. This owes to management's preference for high-quality companies, its valuation consciousness, and a penchant for building big cash stakes when equity valuations get stretched. Therefore, despite maintaining a relatively concentrated portfolio, the fund's 15-year standard deviation, a measure of volatility, is slightly below the category average.

Keep in mind, though, that as with most highly successful funds, this one has gone through its share of dry spells. Indeed, it has been left for dead on more than one occasion, including during both the late-1990s and the mid-2000s, and more recently in 2012. While the fund's managers are not deep contrarians, their value leanings and the fund's concentrated portfolio can leave it out of step with the broader market, especially in the lat-

ter stages of bull markets when the team often gets defensive. But this defensiveness led to outstanding relative returns during the 2000-02, 2008, and 2011 bear markets. Any lost gains during rallies have been more than made up for on the downside.

### People Pillar: Positive

This fund ensured management continuity when its advisor Yacktman Asset Management sold itself to Affiliated Managers Group in the third quarter of 2012. That deal locked in the fund's three managers as each signed 10-year employment contracts as part of the agreement. Crucially, the team also retained full investment authority, so there won't be any change in the fund's strategy.

That's encouraging considering Don Yacktman, Stephen Yacktman, and Jason Subotky's long-term investment success. But with Don Yacktman in his early 70s, it crucially addresses succession planning as well. Although the senior Yacktman has no plans to retire, the fund should be in good hands when that day comes. His son Stephen Yacktman has worked with him for 20 years, with 10 of those as a comanager. Subotky has only been a comanager since year-end 2009, but he has been with the firm since 2001. Plus, the team will strengthen its bench when it likely adds a new analyst to the team in the coming months.

Investors also should be heartened by the trio's level of investment in the funds, although it comes with a caveat. While the managers do not invest at all in the this fund, all three maintain positions of more than \$1 million in Yacktman Focused YAFFX, which is essentially a more concentrated version of this offering. If anything, this shows a greater level of conviction in what they're doing.

### Parent Pillar: Neutral

The wholly owned subsidiary of Affiliated Managers Group, Managers Investment Group largely functions as the distribution, marketing, and servicing platform for AMG. It's no surprise, then, that AMG firms run most of Managers' mutual funds. AMG has a good reputation for acquiring stakes in well-regarded, small to medium-sized asset man-

agers.

Less straightforward are the Managers' funds that are run by unaffiliated subadvisors, particularly those where the subadvisors already have their own mutual funds. For example, Managers PIMCO Bond MBDFX is the equivalent of PIMCO Total Return PTTRX. Managers also offers multimanager funds run by unaffiliated subadvisors, such as Bronze-rated Managers Micro-Cap MMCFX. While some of those offerings are a result of long-time legacy relationship (such as the PIMCO offering), what results from this combination of affiliated and unaffiliated, as well as single- and multimanager offerings, is a somewhat disjointed investment lineup for the firm's \$28 billion mutual fund platform.

As for economics, Managers' fees are just average compared to similarly distributed peers'. Some of the subadvisors invest more than \$1 million in these funds (or in cases such as PIMCO, their home funds), which represents a best practice to demonstrate that their interests are aligned with those of fundholders. However, most subadvisors do not.

### Price Pillar: Positive

This fund offers a talented investment team at an attractive price. Its 0.76% expense ratio is in the cheapest quartile of actively managed large-blend funds and is 25 basis points below the group median. Plus, the fund's low turnover keeps brokerage commissions below those of the category average. As a result, Morningstar rates the fund's overall fee level as below average.



# Vanguard Target Retirement Target-Date Fund Series Report

## Morningstar Analyst Rating



### Key Features

Asset-Weighted Expense Ratio	0.17%
Active/Passive Exposure	3% Active
Open/Closed Architecture	100% Closed
Total Net Assets (\$M)	144,832

## Executive Summary

### Rating:

#### Process

#### ⊕ Positive

Vanguard takes a pragmatic approach to its glide path, focusing on low-cost exposure to multiple asset classes, as well as lower risk levels as investors approach and pass the retirement date. With an emphasis on index funds over actively managed offerings, the firm reduces the risks of manager turnover, high-trading costs, and capacity constraints.

#### Price

#### ⊕ Positive

Vanguard's unwavering dedication to low costs makes this line-up one of the least expensive options around, allowing more of its gains to compound year in and year out.

#### Performance

#### ⊕ Positive

Through June 2013, the five-year returns for each of these funds rank above 80% of the competition. The high-quality bias of the stock and bond portfolios caused these funds to lag their competitors during 2009's speculative-driven rally, but they held up better than most during 2008's financial crisis. The funds performed well in 2011 and 2012, too, despite the market's extreme volatility. The series' low expenses give the funds a built-in advantage over rivals.

#### People

#### ⊕ Positive

Vanguard made several changes to the management overseeing this target-date series. The day-to-day activities are now overseen by veteran index-fund manager Michael Buek, as well as William Coleman and Walter Nejman. Catherine Gordon replaced John Ameriks as head of the investment counseling and research group that steers the fund's asset-allocation policy. The team remains experienced and sound.

#### Parent

#### ⊕ Positive

Vanguard has written the book on low-cost, index-oriented investing. The firm's not-for-profit structure ensures low fees and investor interests remain paramount. The funds' board does not have an independent chairman, but it has acted consistently in shareholder interests. Vanguard has a clean regulatory record.

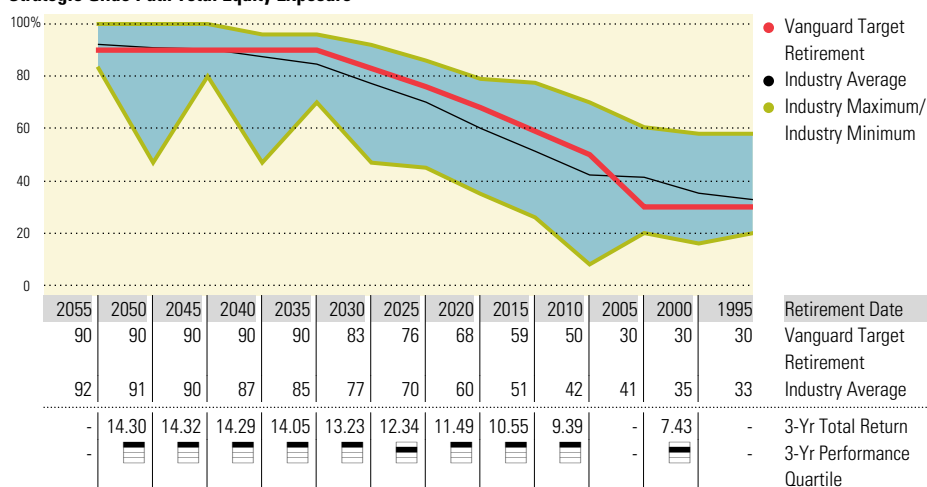
## Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to fund that are more likely to outperform over the long term on a risk-adjusted basis.

### Analyst Rating Spectrum

⊕ Gold ⊕ Silver ⊕ Bronze Neutral Negative

## Strategic Glide Path Total Equity Exposure



## Available Funds

Retirement Income Fund	2020 Fund	2035 Fund	2050 Fund
2010 Fund	2025 Fund	2040 Fund	2055 Fund
2015 Fund	2030 Fund	2045 Fund	2060 Fund

## Morningstar Opinion

Recent changes strengthen Vanguard Target Retirement Series' appeal.

Vanguard made several updates to this target-date series in the first half of 2013. Notably, the series added its first allocation to international fixed income, increasing the funds' bond diversification. The newly launched Vanguard Total International Bond Index now receives 20% of fixed income assets, or a range of between 2% and 16% of total assets, depending on the fund. While many target-date competitors have long offered international-bond funds, Vanguard cautiously waited until the firm saw adequate liquidity and transparency in the market before launching its in-house index-based product. In addition, the series removed Vanguard Inflation-Protected Securities from its shorter-dated funds, replacing it with Vanguard Short-Term Inflation-Protected Securities Index. Both changes are designed to lower the series' overall volatility; the international fixed-income component should allow for diversification benefits, and shorter-term Treasury inflation-protected securities offer a higher correlation to realized inflation with less sensitivity to interest-rate changes than their longer-term counterparts. Management also removed the series' cash allocation, accessed through Vanguard Prime Money Market, as it saw overlap with the new shorter-term TIPS position. Both Vanguard Inflation-Protected Securities and Vanguard Prime Money Market were the series' only actively managed compo-

### Kathryn Spica, CFA

Fund Analyst, Fund of Funds Research 08-05-2013

nents, and the remaining underlying funds used in the series are now exclusively index-based.

Despite the addition of the slightly pricier international bond asset class, costs for the target-date series have not increased. Prudent expense planning has long been a hallmark of Vanguard's fund lineup, and investors continue to benefit from its low-cost emphasis. For example, the firm recently made a move to decrease overall costs by switching index providers. It replaced the MSCI benchmark indexes of the series' underlying equity index funds with a CRSP index for domestic stocks and a FTSE index for foreign stocks, both of which have relatively cheaper licensing fees than the MSCI indexes. These changes should only result in subtle changes to the underlying fund portfolios.

Keeping an eye on costs and maintaining a sensible focus on diversification have been a winning combination for the target-date series. Indeed, every fund in the series with a five-year track record has landed in its category's top 20% for the trailing five-year period through June 2013. Despite having a relatively large allocation to equity throughout the majority of the series' glide path, most of the funds have experienced below-average volatility, reflecting the benefits of their well-diversified portfolios.

The practical changes to the series and its diversified, low-cost structure continue to make this an attractive retirement-focused investment option.

# Vanguard Target Retirement Target-Date Fund Series Report

## Process: Approach

Rather than adhering to a single theoretical asset-allocation framework, Vanguard takes a pragmatic approach to the Target Retirement Funds' glide path and overall structure. The funds gradually transition to a heavier fixed-income weighting because the firm aims to limit market risk (or the potential of capital losses due to market turmoil) for near-retirees. Vanguard's use of market-capitalization weighted benchmarks for their U.S. and international stock index funds results in relatively light exposures to small-cap and emerging markets stocks. To better protect capital following the retirement date, Vanguard emphasizes higher-quality bonds and includes an allocation to TIPS. The firm does not include dedicated exposure to commodities or real estate and also doesn't use absolute return strategies because it believes the potential diversification benefits of those asset classes are offset by higher execution costs, the potential lack of transparency, and other operational concerns.

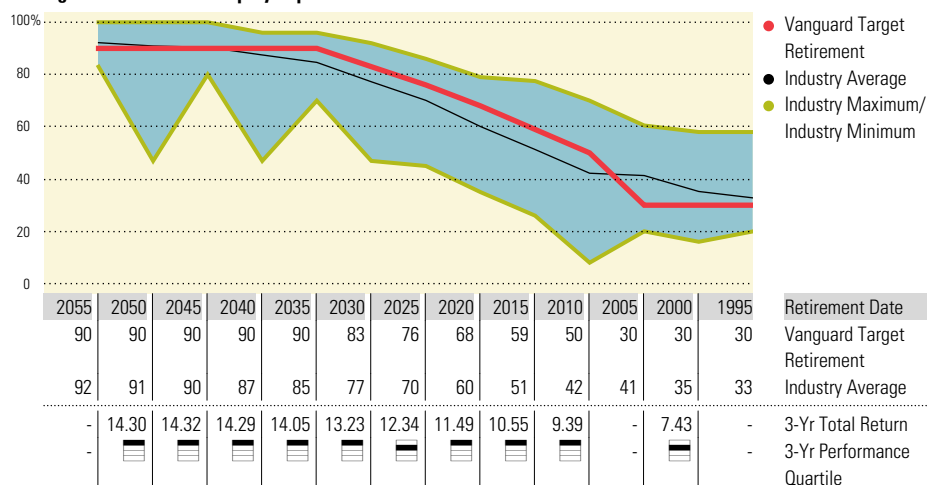
The series' asset allocation starts off at a 90%/10% split between stocks and bonds. That equity allocation is roughly in line with the industry average. The glide path lands at a 50% stock/50% bond split at retirement, a slightly equity-heavier position than the industry average. It then shifts to a final 30% stock/70% bond split within seven years of the retirement date. More-aggressive peers maintain heavier stock weightings well into retirement.

Within the equity sleeve, Vanguard Total Stock Market Index holds roughly 70% of the assets, and Vanguard Total International Stock Market Index has the remaining 30%. On the fixed-income side, Vanguard implemented some changes in the first half of 2013. The bond sleeve is initially split 80% in Vanguard Total Bond Market II Index and 20% in the recently launched Vanguard Total International Bond Index. A small allocation to TIPS kicks in five years before the retirement date, which is now in the Vanguard Short-Term Inflation Protected Securities Index Fund (it was previously in a longer-term TIPS fund).

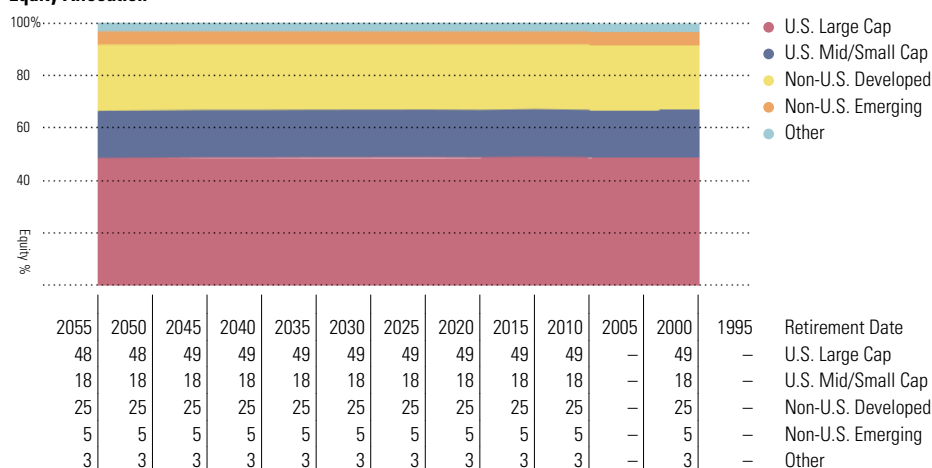
Vanguard communicates the design of its target-date series better than most. The firm's website includes graphics and videos explaining the glide path evolution, and also contains numerous research papers addressing asset allocation and investors' use of target-date funds.

Rating: Positive

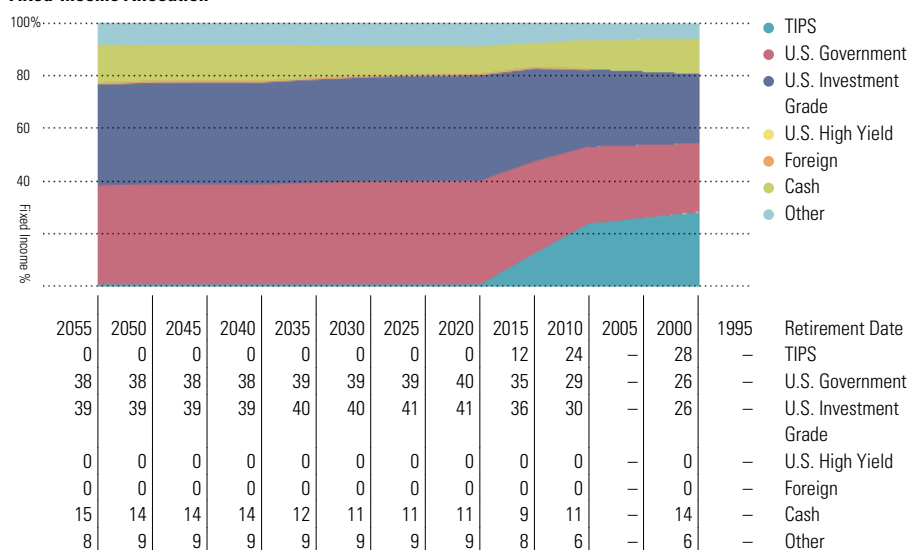
### Strategic Glide Path Total Equity Exposure



### Equity Allocation



### Fixed-Income Allocation





# Vanguard Target Retirement Target-Date Fund Series Report

## Process: Portfolio

The underlying funds in the Target Retirement portfolios are a trusty lot. The portfolio's equity sleeve includes just two stock index funds, Vanguard Total Stock Market Index and Vanguard Total International Stock Market Index. In June 2013, Vanguard changed the benchmarks for the equity index funds to CRSP US Total Market Index and FTSE Global All Cap ex US Index from their previous MSCI indexes. The new benchmarks have lower licensing fees, which should lead to cost savings for investors. The fund portfolios tracking the index should stay roughly the same, as the index methodologies are very similar.

In addition, Vanguard recently made several changes to the series' fixed-income sleeve. First, the recently launched Vanguard Total International Bond Index now receives 20% of the bond allocation throughout the glide path. Vanguard Total Bond Market II Index will initially hold an 80% stake of the bond sleeve, which will decrease when TIPS exposure is added near the retirement date. By adding international

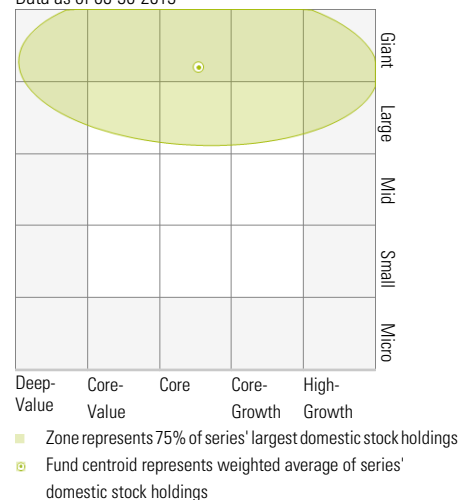
**Rating: Positive**

bonds, Vanguard argues the portfolios benefit from improved diversification with regard to interest-rate, credit, and country risks. The firm has recognized the benefits of foreign bond diversification for a while, but it took time to develop a suitable passive investment vehicle. In addition, the series now uses Vanguard Short-Term Inflation-Protected Securities Index instead of Vanguard Inflation-Protected Securities for TIPS exposure, as the former's shorter duration provides purer protection against inflation.

The underlying funds, both the newly added and remaining, ought to track rather than beat or lag their respective benchmarks and peer groups. Vanguard stubbed its toe on the fixed-income indexing side in 2002 but has since refined its portfolio-construction and risk-management methods. Those efforts appear to have paid off, as a number of rival index funds (particularly in fixed income) fell far short of their benchmarks during market turmoil in 2007 and 2008, but Vanguard's funds did not.

### Series Holding-based Style Map - Equity

Data as of 06-30-2013



### Top Investments as of 06-30-2013

		% of Assets	3-Yr Return %	3-Yr % Rank in Cat	3-Yr Std Dev	5-Yr Return %	5-Yr % Rank in Cat	Analyst Rating	Star Rating
Vanguard Total Stock Mkt Idx Inv	Large Blend	48.48	18.58	15	14.23	7.35	17	<b>Gold</b>	★★★★
Vanguard Total Bond Market II Idx Inv	Intermediate-Term Bond	27.54	3.30	76	2.90	—	—	—	★★
Vanguard Total Intl Stock Index Inv	Foreign Large Blend	20.26	8.25	78	18.78	-0.86	50	<b>Gold</b>	★★★
Vanguard Inflation-Protected Secs Inv	Inflation-Protected Bond	3.18	4.37	14	5.63	3.94	38	<b>Gold</b>	★★★★
Vanguard Prime Money Market Inv	Money Market - Taxable	0.53	0.04	—	0.01	0.38	—	—	—
Total # Holdings									5
% Portfolio in Top 10 Holdings									100.00
Overall Average Morningstar Rating									3.25

## Price

Vanguard's Target Retirement Funds are among the cheapest that retail investors can buy. With expense ratios ranging from 0.16% to 0.18%, the funds cost roughly one fifth as much as their typical peers. Relative to other index-fund target date options, the Vanguard series is still among the cheapest. The few series with lower fees are sold exclusively through institutional channels that require large account minimums. Any investor can gain access to the Vanguard series with a minimum investment of \$1,000.

Vanguard's unusual ownership structure, wherein it provides its services at cost, helps keep expenses to

**Rating: Positive**

a bare minimum and gives the funds a built-in competitive advantage. Morningstar's performance attribution analysis indicates that the firm has added more value through low expenses than any other lineup. Lower expenses also enable management (of the fixed-income funds, in particular) to deliver competitive returns with less overall risk.

In 2013, Morningstar's price rating methodology changed to account for the asset-weighted fee levels across the series rather than a single selected share class' fees. The change did not affect this series' rating.

### Asset-Weighted Cost vs. Industry Average

Vanguard Target Retirement	0.17%
Industry Average	0.89%

Avg Cost Per Share Class	Exp Ratio (%)	Net Assets (\$M)
Inv	0.17%	144,832
	—	—

# Vanguard Target Retirement Target-Date Fund Series Report

## Performance

**Rating: Positive**

This series has an impressive long-term record. As of June 30, 2013, the five-year returns for all of the funds in the series outpaced more than 80% of their respective category rivals. In 2013 Morningstar changed its performance rating methodology, which improved this series' relative performance standing. The new methodology better captures the long-term risk-adjusted returns of the series relative to peers.

While the series' two passively managed equity funds have helped them keep pace with their respective rivals in a variety of market environments, the bond sleeve's performance hasn't always done so, mainly due to its dearth of foreign debt and high-yield bonds. That has been the case thus far this

year, as a rise in longer term interest rates have helped riskier fixed income sectors come out ahead. The addition of international bonds to the portfolio in mid-2013 should narrow some of that difference (the series continues to eschew high-yield bonds, though). Nevertheless, strong relative results from the series' domestic-equity side, which has received a boost from its above-average stake in small cap stocks over the past decade, as well as an above-average exposure to equities across much of the glide path, helped the majority of funds in the series outpace most rivals over the long-term and thus far in 2013.

Moreover, the series' bond allocation to Vanguard Total Bond Market II Index has proved beneficial in diffi-

cult credit environments, including 2008 and 2011. That's largely due to the fund's significant exposure to U.S. government debt--68% as of June 2013--and exclusion of high-yield bonds. The fund's high-quality emphasis, however, could make it more sensitive to rising interest rates, such that a spike in rates could cause the fund to struggle (as was the case in May 2013). The series' generally longer-duration profiles would contribute to this risk as well.

In addition to outperforming the majority of its peers, the underlying funds in the series have tracked their respective index benchmarks very well since the series' inception.

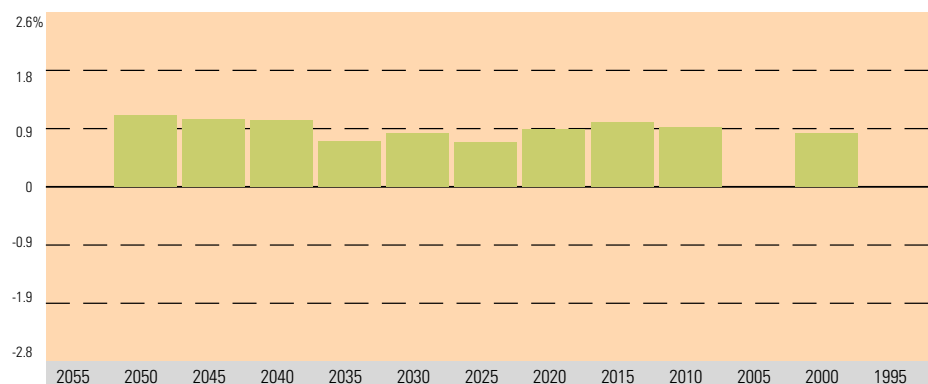
### Target-Date Fund Performance as of 06-30-2013

	YTD Return %	YTD % Rank in Cat	2012 Return %	2011 Return %	3-Yr Return %	3-Yr % Rank in Cat	3-Yr Std Dev	5-Yr Return %	5-Yr % Rank in Cat	Star Rating
Vanguard Target Retirement 2010 Inv	2.2	39	10.1	3.4	9.4	25	6.9	5.3	14	★★★★
Vanguard Target Retirement 2015 Inv	3.9	14	11.4	1.7	10.5	20	8.5	5.5	7	★★★★★
Vanguard Target Retirement 2020 Inv	5.1	11	12.3	0.6	11.5	16	9.7	5.4	10	★★★★
Vanguard Target Retirement 2025 Inv	6.0	17	13.3	-0.4	12.3	26	10.9	5.3	13	★★★★
Vanguard Target Retirement 2030 Inv	6.9	17	14.2	-1.3	13.2	19	12.1	5.2	13	★★★★
Vanguard Target Retirement 2035 Inv	7.7	18	15.2	-2.2	14.0	15	13.2	5.3	16	★★★★
Vanguard Target Retirement 2040 Inv	8.3	18	15.6	-2.5	14.3	14	13.5	5.5	14	★★★★
Vanguard Target Retirement 2045 Inv	8.3	22	15.6	-2.5	14.3	16	13.5	5.5	16	★★★★
Vanguard Target Retirement 2050 Inv	8.3	23	15.6	-2.5	14.3	14	13.5	5.5	18	★★★★
Vanguard Target Retirement 2055 Inv	8.3	30	15.6	-2.3	—	—	—	—	—	—
Vanguard Target Retirement 2060 Inv	8.3	33	—	—	—	—	—	—	—	—
Vanguard Target Retirement Income Inv	0.7	60	8.2	5.2	7.4	42	4.7	5.4	14	★★★★

For peer comparisons, 1 = highest return or lowest risk, 100 = lowest return or highest risk.

### Target Date Funds Risk-Adjusted Returns +/- Category Average

Data as of 06-30-2013

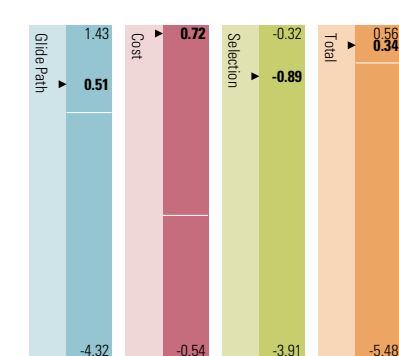


- Risk-adjusted return exceeding category average
- Risk-adjusted return trailing category average
- Category Average

Data is based on longest available performance history: three or five years. For series with more than 18 months of history, but less than three years of history, the risk-adjusted return of the appropriate Morningstar Lifetime Moderate Index is used to create a 3-year history.

### Attribution Analysis

Trailing 3-Year Returns as of 06-30-2013



Vanguard Target Retirement	0.51
Glide Path	0.51
Cost	0.72
Selection	-0.89
<b>Total</b>	<b>0.34</b>

# Vanguard Target Retirement Target-Date Fund Series Report

## People

In early 2013, Vanguard made changes to the management team running these funds. The day-to-day portfolio trading and oversight are now under the purview of Michael Buek, William Coleman, and Walter Nejman. Buek is a veteran Vanguard manager, having led some of the firm's index funds since the early 1990s. Coleman and Nejman joined the firm in 2006 and 2005, respectively. The series' former manager, Duane Kelly, remains at Vanguard as a leader on the equity indexing team. Vanguard historically has taken a deliberate approach to management transitions, and its management stability is comforting when considering that target-date funds are intended to be multidecade investments.

Vanguard also made changes to the investment counseling and research group that oversees the firm's asset-allocation policies. Catherine Gordon replaced John Ameriks as head of the group. Ameriks remains

**Rating:** Positive

at the firm as head of the Active Equity Group and continues to oversee the asset allocation of the target-date series. Gordon founded the research group in 2001 and returned to lead it after having directed the firm's institutional advisory business for the past six years. The rest of the team remains in place, and the expertise and experience of the investment professionals continues to instill confidence.

The underlying index funds used in the series also benefit from experienced managers, including Gerard O'Reilly and Michael Perre, both of whom have more than a decade of experience running equity index funds. The recently launched Vanguard Total International Bond Index and Vanguard Short-Term Inflation-Protected Securities Index, as well as Vanguard Total Bond Market II Index--the target-date series' largest fixed-income component--are also run by Vanguard veterans.

### Series Management

Manager	Start Date
Management Team	06-2007
Duane Kelly	09-2008
Michael Buek	02-2013
William Coleman	02-2013
Walter Nejman	02-2013

Average Tenure	4.0 years
Longest Tenure	9.8 years
Target-Date Industry Average Tenure	5.3 years

### Underlying Funds' Management

Average Tenure	7.8 years
Longest Tenure	18.6 years
Mutual Fund Industry Average Tenure	5.1 years

## Parent

Vanguard has become one of the largest money managers by giving fund owners a fair deal and straight talk--and by providing strong performance overall.

The source of Vanguard's competitive advantage and the foundation of its culture is its mutual ownership structure. In the United States, the family's fund shareholders own Vanguard through their funds, which compels the firm to operate at cost, rather than for profit, and put investors' interests first. It also boasts traits that foster stewardship, such as above-average manager retention, a strong compliance culture, and an independent board.

Vanguard looks out for fund owners in many ways. It shares the economies of its scale via lower fees; has

**Rating:** Positive

closed actively managed funds when inflows have jeopardized strategies; publishes clear and concise shareholder reports, investing education, commentary, and research; and avoids trendy fund launches.

The family didn't get to the top on altruism alone, though. It has aggressively expanded its lineup--especially exchange-traded funds--and assertively advertised its wares in recent years. And it has been moving into a handful of markets overseas, with more expansion to come. Still, Vanguard improves the global fund industry by inciting price competition. If it remembers its roots as it spreads its branches, Vanguard will remain a reliable steward.

### Fund Family Data

Average Overall Star Rating	★★★★
% of Assets w/Star Rating	93.9%

Assets	(listed in USD \$Mil)
Total Assets Under Mgt	2,370,030

Average Manager Tenure	6.6 years
5-year Manager Retention Rate (%)	91.7%
Manager Investment Over 1 Million USD (% Assets)	14.7%

Average Fee Level (%)	4.0%
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3-year Firm Success Ratio (%)	—
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